

Halton

OAKVILLE

**MASTER SERVICING
AND
FINANCING SCHEME**

**IMPLEMENTATION
REPORT**

APRIL, 1983

JOINT REPORT
CAO.155-83/FIN.73-83

THE REGIONAL MUNICIPALITY OF HALTON

Report to Chairman and Members of the
Planning & Public Works Committee
Administration & Finance Committee
From D.Y. Perlin, C.A.O. and
J. L. Rinaldo, Regional Treasurer
Date 1983 04 29
Report No. CAO.155-83/FIN.73-83
Re: Implementation of Master Servicing & Financing
Scheme for provision of sanitary and water services
to the Oakville area of the Region of Halton

RECOMMENDATION

1. That the Master Servicing & Financing Scheme for the Oakville Urban Area of the Regional Municipality of Halton as initially prepared by Currie, Coopers & Lybrand Limited and as revised in the joint report of CAO.155-83/FIN.73-83 be approved.
2. That the adoption of the scheme for the provision of sanitary sewer and water services and financing of same in the Oakville area of the Region be implemented on the basis of the policies and guidelines incorporated in the joint report CAO.155-83/FIN.73-83 and used in the negotiation of new development and subdivision agreements and in the renegotiation of the Preliminary Development Agreements in the Oakville Urban Area.
3. That the modifications set out in the joint report CAO.155-83/FIN.73-83 and described in the summary of Findings and Conclusions of the Report be approved.
4. That the participation in the Master Servicing and Financing Scheme for the Oakville Area of the Region be approved as follows:

Front-end financial responsibility assigned to developers:

1. Services internal to developer subdivision-related projects, and
2. New (as of August 1, 1980) residential growth-related projects.

Front-end and financial responsibility assigned to Region:

1. Existing (as of August 1, 1980) residential community-related costs
2. Existing (as of August 1, 1980) commercial/industrial-related costs; and
3. New (as of August 1, 1980) commercial/industrial growth-related costs
5. That the minimum participation guideline for assignment of front-end financial burden to developers be approved on the basis of minimum acreage required to develop one hundred units by unit type.
6. That developers be required to assume front-end financial responsibility on the basis of net developable acreage for projects common to all communities and on the basis of ultimate residential units for community specific projects.
7. That infill developers be required to assume front-end financial responsibility for their fair share of costs for services directly related to their holdings on a subdivision-by-subdivision basis.
8. That the excess cash commitment and the letter of credit held as security for front-end financial responsibility be indexed semi-annually.
9. That a surcharge in the amount of 10% be imposed on the water and sewer component of the Region's current capital contribution rate collected on new residential development within the Oakville area of the Region.
10. That a detailed review of the Region's current capital contribution rate and related surcharges be undertaken every two years.
11. That a submission for Provincial assistance be prepared by Regional staff requesting financial support for major treatment facilities. Support for this submission shall be sought from the Town of Oakville and interested developers.
12. That a Master Servicing administration fee be established at \$75.00 per unit to be collected at development or subdivision agreement stage.

13. That Regional staff be authorized to undertake studies to determine the net developable acreage - \$7,000, to develop a building permit monitoring system - \$11,000 and develop an administrative computerized model - \$28,000; and that these studies be initially financed from the Capital Reserve to subsequently be recovered from the Master Servicing administration fee.
14. That the following Departments be authorized to hire contract personnel as and when required to provide day-to-day administration of scheme:

	<u>Annual Cost</u>
Planning - Planning Technician (per yr.)	\$8,000
Public Works - Supervisor of Special Studies and Systems Technologist	<u>32,000</u>
	<u>\$40,000</u>

And that this be funded from the Master Servicing administration fee.

15. That this Council hereby re-emphasize its commitment to and recommends the same commitment by future Councils to the concept that when sewer and water levies and related surcharges are received from any area serviced by the sewer and water system of the Oakville area of the Region, they are to be put into a reserve and used only for the pay-back of "front-end" financing until such time as all front-end financing has been fully repaid.
16. That Regional staff are instructed to continuously monitor all of the service components in the Master Servicing and Financing Scheme for the Oakville area to ensure that before any servicing component is actually constructed, a review is made at that time to ensure that capacity is not overbuilt beyond the then foreseen "ultimate" requirements for that particular servicing component.

17. That Region-wide the following principles with respect to financing water and sewer services be adopted as a result of the study leading to the Master Servicing and Financing Scheme for Oakville:

- (a) that capital contributions for sewer and water purposes and any related surcharges that may be imposed from time to time be collected throughout the Region at the time of the execution of the initial development or subdivision agreements with the remainder of the capital contributions to be paid at the time of building permit. For clarity purposes the amount to be paid at building permit time shall be the total capital contribution then in effect minus the sewer and water portions thereof and any related surcharges at the rates then in effect at the time of the issuance of building permits.
- (b) that the Region's current capital contribution rate be indexed semi-annually.
- (c) that the finance administration fee imposed on development agreements be reduced from \$35.00 to \$20.00 per unit.

EXECUTIVE SUMMARY

As directed by Council, the Master Servicing and Financing Scheme for the Oakville area has been updated and an implementation policy has been formulated. The report answers the policy issues and concerns expressed by Council, Area Municipalities and the various developer groups.

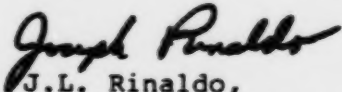
It is very clear from the financial analysis undertaken in the implementation report that the Region does not have the financial capacity to provide, in the conventional manner, for the water and sewer services which will accommodate the population growth of 200,000 set out in the Ontario Cabinet decision. As indicated in the report, the Province will not provide the necessary front-ending.

Therefore, with or without the modified Provincial assistance which is being requested in the Report some form of front-ending participation is required from the development industry if new growth is to proceed in Oakville.

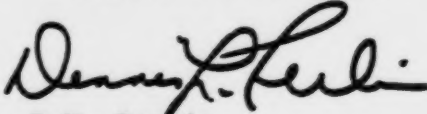
It is recommended that the Region assume front-end financial responsibility relating to the existing residential, existing commercial/industrial and new commercial/industrial.

This report has not been circulated to the local Municipalities and the interested developers. If it is the wish of the Committee to circulate the report for comments, it is suggested that the Report be circulated after the May 4th Committee meeting with responses to submitted by the end of May for final Council consideration in June. In the meantime we could also, if Committee agrees, pursue the Province for the modified Provincial assistance.

Respectfully submitted,



J.L. Rinaldo,
Regional Treasurer and
Director of Finance.



D.Y. Perlin,
Chief Administrative Officer.

JLR/db

THE REGIONAL MUNICIPALITY OF HALTON

IMPLEMENTATION REPORT
FOR
MASTER SERVICING AND FINANCING SCHEME
FOR THE TOWN OF OAKVILLE

PREPARED: APRIL, 1983

CAO. REPORT #155-83
FIN. REPORT # 73-83

SUMMARY OF FINDING AND CONCLUSIONS

This summary sets out the major modifications made to the "Master Servicing and Financing Scheme" prepared by Currie, Coopers & Lybrand Ltd. The summary of the findings and recommendations as initially presented by Currie, Coopers & Lybrand Ltd. have been included in this report along with the comments received from the various interested groups as Appendix 10 and 11.

The findings incorporated in this report, along with the policies incorporated in the Currie, Coopers & Lybrand report, provide a framework and implementation plan to adopt this scheme. The findings and conclusions of this report are:

- The Region does not have the financial capacity to provide, in the conventional manner, the required water and sewer facilities in the Town of Oakville which will accommodate the population growth expected.
- With or without Provincial assistance to the Scheme, some form of front-ending participation is required from the developers. Three preliminary agreements have already been negotiated in Oakville (Genstar, Anprop and Wimpey) utilizing the main features of the scheme.
- Based on the fiscal impact analysis in this report, the only viable alternative for development to proceed is on the basis of full participation. Under this alternative front-ending would be required on projects assigned to communities rather than only partial community front-ending.
- The full participation alternative (Case 3 - Option A) is being recommended. It assigns to the developer the financial responsibility of costs for:
 1. Services internal to developer subdivisions; and
 2. New residential growth-related projects.The Region will assume the front-end financial burden and the ultimate financial responsibility for:
 1. Existing residential community-related costs;
 2. Existing commercial/industrial-related costs; and
 3. New commercial/industrial growth-related costs.

- Assignment of front-end financial burden to developers for common facilities shall be calculated on the basis of net developable acreage. The assignment of front-end financial burden for community specific projects shall be calculated on the basis of the ultimate residential units of each developer within that community.
- The minimum participation guideline for assignment of front-end financial burden to developers shall be on the basis of the minimum acreage required to develop one hundred units by unit type.
- Letters of Credit shall be provided by developers for the total estimated gross costs of all projects, as defined by the Region as being required for specific development.
- The following shall be indexed semi-annually on the basis of the Region's present capital contribution rate:
 1. Letters of Credit held as security;
 2. The excess cash commitment over and above the developer's ultimate responsibility; and
 3. The current Regional capital contribution rate.
- A submission for Provincial assistance, shall be prepared by Regional staff requesting financial support for the major treatment facilities. The Region shall seek support for their submission from the Town of Oakville and interested developer groups.
- A 10% surcharge shall be imposed on the water and sewer component of the current Regional Capital Contribution Rate collected on new residential development within the Town of Oakville.
- Every two years, a detailed review of the Region's current Capital Contribution Rate and the surcharge imposed in Oakville, shall be undertaken.
- Infill developers shall assume front-end financial burden for their fair share of service costs directly related to their holdings, on a subdivision-by-subdivision basis.
- The commercial/industrial capital contribution is presently being reviewed by a Sub-Committee established by Council. For the purpose of this report, it is generally assumed that no commercial/industrial capital contribution rate shall be imposed.

- The Administrative Development Committee (A.D.C.) will have the ultimate responsibility to oversee and monitor the implementation of the Master Servicing and Financing Scheme. A Sub-Committee of A.D.C. chaired by the Regional Treasurer, shall be responsible for the timely implementation of the scheme and the day-to-day administration.
- The Administrative Development Committee shall submit an annual report to Council on the status of the Master Servicing and Financing Scheme along with the projected financial implications of the scheme on the Capital Budget. This will enable Council to monitor the scheme and to ensure it is being implemented and administered in accordance with Council's policy direction.
- A Master Servicing administration fee is being recommended in the amount of \$75.00 per unit to recover both start-up and ongoing administration costs. The finance administrative fee will be reduced from \$35.00 to \$20.00 per unit.
- The development of a computerized administrative model shall be undertaken.
- Receipt of Provincial subsidies will be flowed back to developers in proportion to the ultimate units on a project-by-project basis. Subsidies relating to common facilities will first be applied to reduce Regional risk.
- The water and sewer portion of the capital contribution, along with the surcharge collected from non-front-enders, shall be flowed back to developers on the basis of excess cash commitment after providing for any Regional risk.

TABLE OF CONTENTS

	<u>Page</u>
<u>INTRODUCTION</u>	
Master Servicing and Financing Background	1 - 2
Introduction to the Implementation Report	2 - 7
<u>PART 1</u>	
Fiscal Impact of the Master Servicing and Financing Scheme:	
Basis for Analysis	8 - 9
Debt Capacity	10 - 11
Fiscal Impact Analysis:	
Case 1 - No Growth	12 - 17
Case 2 - Full Region Front-Ending	12 - 17
Case 3 - Full Participation in Master Servicing - Option A	17 - 21
Case 4 - Full Participation in Master Servicing - Option B	21 - 26
Case 5 - Partial Participation in Master Servicing - Option A	26 - 30
Case 6 - Partial Participation in Master Servicing - Option B	26 - 30
Summary of Impact Analysis and Conclusions	31 - 32
<u>PART II</u>	
Further Policy Considerations:	33 - 37
. Assignment of Developer Responsibility	
. Provincial Assistance	38
. Indexing	39 - 40
. Financial Surcharge	40
. Infill Development	40
<u>PART III</u>	
Implementation and Administrative Framework	
. Administrative Organization	41 - 44
. Administrative Costs	45 - 46
. Administrative Control	47 - 48
. The Process	48 - 50

APPENDICES

<u>Appendix</u>		<u>Page</u>
1	Description of Projects Required for Master Servicing and Financing Scheme	51 - 59
2	Net Project Costs and Distribution of Project Financing Responsibilities	60 - 63
3	Ontario Municipal Board Debt Capacity Calculations	64 - 69
4	Calculation of Share of Responsibility: Net Developable Acreage	70
5	Minimum Participation Guidelines	71 - 72
6	Definitions of Terms Used in the Implementation Report	73 - 76
7	Comparative 1983 Water and Sewer Rates in Selected Municipalities	77 - 81
8	Correspondence from Province	82 - 86
9	Legal Considerations of the Scheme	87 - 89
10	Summary of Findings and Recommendations as Presented by Currie, Coopers & Lybrand Ltd.	90 - 95
11	Comments on Currie, Coopers & Lybrand Ltd. Master Servicing and Financing Scheme Report (Feb. 1981)	96 - 107

LIST OF TABLES

<u>Table</u>		<u>Page</u>
1	Summary of Net Project Costs under Master Servicing Scheme	5
2	Inflation and Regional Debenture Rate Assumptions	8
3	Distribution of Rate Revenue Requirements to Customer Groups	9
4	Rate Revenue Requirements and Debt Capacity Impact Case 1	14
5	Rate Revenue Requirements and Debt Capacity Impact Case 2	16
6	Rate Revenue Requirements and Debt Capacity Impact Case 3	20
7	Rate Revenue Requirements and Debt Capacity Impact Case 4	25
8	Rate Revenue Requirements and Debt Capacity Impact Case 5	28
9	Rate Revenue Requirements and Debt Capacity Impact Case 6	30
10	Summary of Fiscal Impact	31
11	Front-Ending Developers in Urban Phase I (units basis)	34
12	Distribution of Front-Ending Responsibilities (units basis)	35
13	Front-Ending Responsibility of Select Developers	37
14	Recommended Provincial Assistance	38

LIST OF FIGURES

<u>Figure</u>		<u>Page</u>
1	Map of Communities within Urban Phase I and II	6
2	Rate Revenue Requirements and Debt Capacity Impact Case 1	2
3	Rate Revenue Requirements and Debt Capacity Impact Case 2	15
4	Schematic Outline of Financing Responsibilities - Option A	18
5	Rate Revenue Requirements and Debt Capacity Impact Case 3	19
6	Schematic Outline of Financing Responsibilities - Option B	22
7	Rate Revenue Requirements and Debt Capacity Impact Case 4	24
8	Rate Revenue Requirements and Debt Capacity Impact Case 5	27
9	Rate Revenue Requirements and Debt Capacity Impact Case 6	29
10	Master Servicing Organization Structure	42
11	Master Servicing Responsibility Matrix	44

INTRODUCTION

MASTER SERVICING AND FINANCING SCHEME BACKGROUND*

In 1978, the Ontario Cabinet issued a decision regarding urban growth within Oakville. In that decision, provisions were made for staged growth ultimately to result in a population of 200,000 in Oakville forecasted (in 1978) to be achieved by 2001. The consequences of this decision included the requirement that Regional water and sewer facilities be sized to facilitate the ultimate population estimate. Despite attempts in the Regional Official Plan to downgrade the Oakville Plan figures, the Province, when it approved the Regional Plan, required the same capacity figure of 200,000 persons to be used.

When it became evident between the years 1978 to 1980 that the growth forecasted to occur was not being realized, it was recognized that the absence of this new growth would create a significant burden on the existing residents' capability to finance these facilities required for the new population. As a result, Regional Council (80 05 24) faced with the need to allow growth to proceed and, at the same time, maintain the impact on existing ratepayers at a minimum level, authorized staff together with the consulting firm of Currie, Coopers and Lybrand Ltd. to prepare a Master Servicing and Financing Scheme with respect to the provision of water and sewer services and their financing for the Oakville area. One of Regional Council's primary objective in authorizing the preparation of the scheme was to permit growth to occur and yet insure that undue financial burdens arising from the new growth were not placed on existing ratepayers.

Between May 1980 and February 1981, the consultant and Regional Staff prepared the initial scheme which was then circulated to the Area Municipalities and various development interests for comment. A report (CAO 108/81) was then presented to a joint meeting of Administration and Finance and Planning and Public Works Committees (81 09 04).

Prior to and since the presentation of the scheme to the joint Committees, three preliminary development agreements have been negotiated in Oakville (Genstar, Anprop and Wimpey) utilizing the features of the scheme as originally presented by Currie, Coopers & Lybrand. Thus the Region is committed to such a scheme. However, the finalization and implementation was deferred pending an attempt to seek provincial front-end financing, and, in the absence of that, to answer questions and concerns raised by the various interest groups. On receipt of the refusal by the Province for assistance, (Appendix 8) the Administration and Development Committee formed a Task Force consisting of representatives from the CAO's office and the Finance, Planning and Development, Public Works and Law Departments to prepare an update to the Scheme and to formulate an implementation policy. The report presented herein is the result of this Task Force.

*Appendix 6 provides definitions for a number of the terms used in the report.

Included in the mandate of the Task Force was the directive from Council to examine a number of policy issues raised at the time the initial Currie, Coopers & Lybrand Master Servicing and Financing Scheme was presented. They include the role of in-fill development, the use of net developable acreage for the calculation of the distribution of financial responsibility, the 100 unit participation guideline, commercial and industrial lot levies, and inflation indexing of credit and interest cost repayment to those providing front-end financing within the scheme.

INTRODUCTION TO THE IMPLEMENTATION REPORT

The strategy for the implementation of the Master Servicing and Financing Scheme for Oakville has been developed to facilitate a number of important but sometimes conflicting criteria, among which are the following:

1. The strategy must try to ensure that sewer and water servicing requirements of new urban development permitted in the Regional and Oakville Plan can be provided;
2. The strategy must try to ensure that the sewer and water servicing requirements of new residential development do not have an adverse impact on the existing community;*
3. The strategy must try to ensure that if developers provide front-end financing for capital projects, that they are ultimately compensated for any amount of financing which they have undertaken on behalf of others;
4. The strategy must be structured to try to ensure that all developers participate in the scheme on an equitable basis;
5. The strategy must be financially feasible as far as it relates to the impact on water and sewer rates, and upon the level of additional Regional debt which would result from proceeding with the Master Servicing and Financing Scheme; and
6. The strategy must be administratively feasible.

*The existing community is defined as the Oakville Urban Community as serviced for water and sewer purposes in August 1980.

The Region has already committed itself to develop and implement a Master Servicing and Financing Scheme of a type contemplated by Currie, Coopers and Lybrand, by signing preliminary development agreements with three parties in Oakville (Genstar, Anprop and Wimpey). Considering that a form of front-ending is unavoidable, this report presents an implementation plan which attempts to accommodate to the greatest extent possible, the criteria listed above.

The body of the implementation report is made up of three major sections:

- A. The fiscal impact of Master Servicing and Financing on the Region;
- B. Further policy considerations; and
- C. The implementation and administrative framework required to operate the scheme.

In the fiscal impact section, the following possible situations are analyzed:

1. The impact of no growth proceeding;
2. The impact of growth proceeding without a Master Servicing Scheme in place; (full Regional front-end financing).
3. The impact of a Master Servicing and Financing scheme with full community participation by all front-ending developers (reduced Regional risk); and
4. The impact if developers are allowed to proceed without providing full financial security under the scheme (increased Regional risk).

The possible alternatives listed above are each addressed individually as to their impact on two fundamental criteria:

1. The impact of these alternatives on water and sewer rate revenue requirements; and
2. The impact on the Region's capacity to issue additional debentures to finance the alternatives.

Further policy considerations respond to the various issues and concerns raised by Council and the Area Municipalities, and the Development Industry.

In the section of the report dealing with the implementation of the Scheme, details are given about the reports that will be required to manage the system as well as the organizational structure that will collect, process, and disseminate necessary information, and ensure an effective interface with participating developers and other parties affected by the scheme.

Table 1 is a summary of the net (after subsidy) project costs which must be incurred in order to provide the water and sewer facilities necessary to allow development to proceed in Oakville under the provisions of the Region and Oakville Plans*.

The total estimated cost of providing water and sewer facilities in Oakville to facilitate growth is \$112.9 million in 1983 dollars. Of this amount, \$16.7 million of eligible subsidies are anticipated, leaving a net amount to be financed of \$96.2 million. However, the actual subsidy received will depend on the continuation of the program and the annual allotment received by Halton from the Ministry of the Environment. Appendix 2 to this report details the net cost of projects initiated. To prepare these estimates, staff of the Public Works Department undertook an analysis of each required project to determine the portions which will benefit the various users.

The information from Appendix 2 is summarized on Table 1 and shows that \$73.6 million or 76.6% of the identified net project costs will be the ultimate responsibility of developers, and \$22.6 million, or 23.4% of the identified net project costs will be the ultimate responsibility of the Region.

The Master Servicing and Financing Scheme deals exclusively with costs associated with required water and sewer projects. The need for special provisions to deal with these projects stems from two unique features associated with them. First, the capital financing required for water and sewer facilities traditionally represents the major component of all financing which must be undertaken by a Regional municipality. Second, (and of specific relevance to the need for the scheme), water and sewer services are required in advance of the development which they support, while other capital needs which must be provided by the Regional municipality can be provided concurrently as development proceeds. As a result, water and sewer capital projects have a significant impact on the municipality before a revenue base has been established to defray these costs.

The Master Servicing and Financing Scheme which is being put forward in this implementation report pertains to projects required to allow development to proceed in Oakville on lands designated in the Oakville Official Plan as Urban Phase 1. Figure 1 is a map which delineates lands designated within the total urban envelope of Oakville as defined by the Ontario Municipal Board in its decision on this matter in 1978.

*Table 1 assumes a particular distribution of financial responsibilities referred to in the report as "Option A". (See the "Fiscal Impact Section" for further details.)

SUMMARY OF NET PROJECT COSTS UNDER THE MASTER SERVICING SCHEME

(\$000 - Actual or 1983 \$)

	Developer Responsibility				Regional Responsibility				Total Net Project Cost
	Internal Services	New Residential Services	Total Developer Responsibility	New Comm./Ind. Services	Existing Comm./Ind. Services	Existing Residential Services	Financing Charges	Total Regional Responsib.	
1980-82	608.0	7,390.6	7,998.6	1,823.6	457.5	409.0	242.2	2,932.3	10,930.9
1983	0	714.0	714.4	294.5	88.8	176.5	50.4	610.2	1,324.2
1984	507.0	4,378.9	4,885.9	2,230.0	813.0	1,216.4	383.5	4,642.9	9,528.8
1985	183.2	3,991.5	4,174.7	2,034.3	91.2	174.0	207.0	2,506.5	6,681.2
1986	1,278.7	15,366.1	16,644.8	2,008.6	104.6	0	190.1	2,303.3	18,948.1
1987	362.9	3,451.7	3,814.6	2,822.8	1,148.0	0	357.4	4,328.2	8,142.8
Total Forecast Period (80-87)	\$2,939.8	35,292.8	38,232.6	11,213.8	2,703.1	1,975.9	1,430.6	17,323.4	55,556.0
1988	0	498.1	498.1	113.2	0	1.1	10.3	124.6	622.7
1989	234.4	370.5	604.9	0	0	2.1	0.2	2.3	607.2
Total Urban Phase 1 (80-90)	3,174.2	36,161.4	39,335.6	11,327.0	2,703.1	1,979.1	1,441.1	17,450.3	56,785.9
Urban Phase 2	1,209.7	33,099.6	34,309.3	4,005.0	169.0	534.0	424.0	5,132.0	39,441.3
Grand Total Urban Phase 1&2	4,383.9	69,261.0	73,644.9	15,332.0	2,872.1	2,513.1	1,865.1	22,582.3	96,227.2
% of Total Net Project Cost	4.6%	72.0%	76.6%	15.9%	3.0%	2.6%	1.9%	23.4%	100.0%

TABLE 1

PLANNING COMMUNITIES WITHIN THE OMB-DEFINED URBAN ENVELOPE

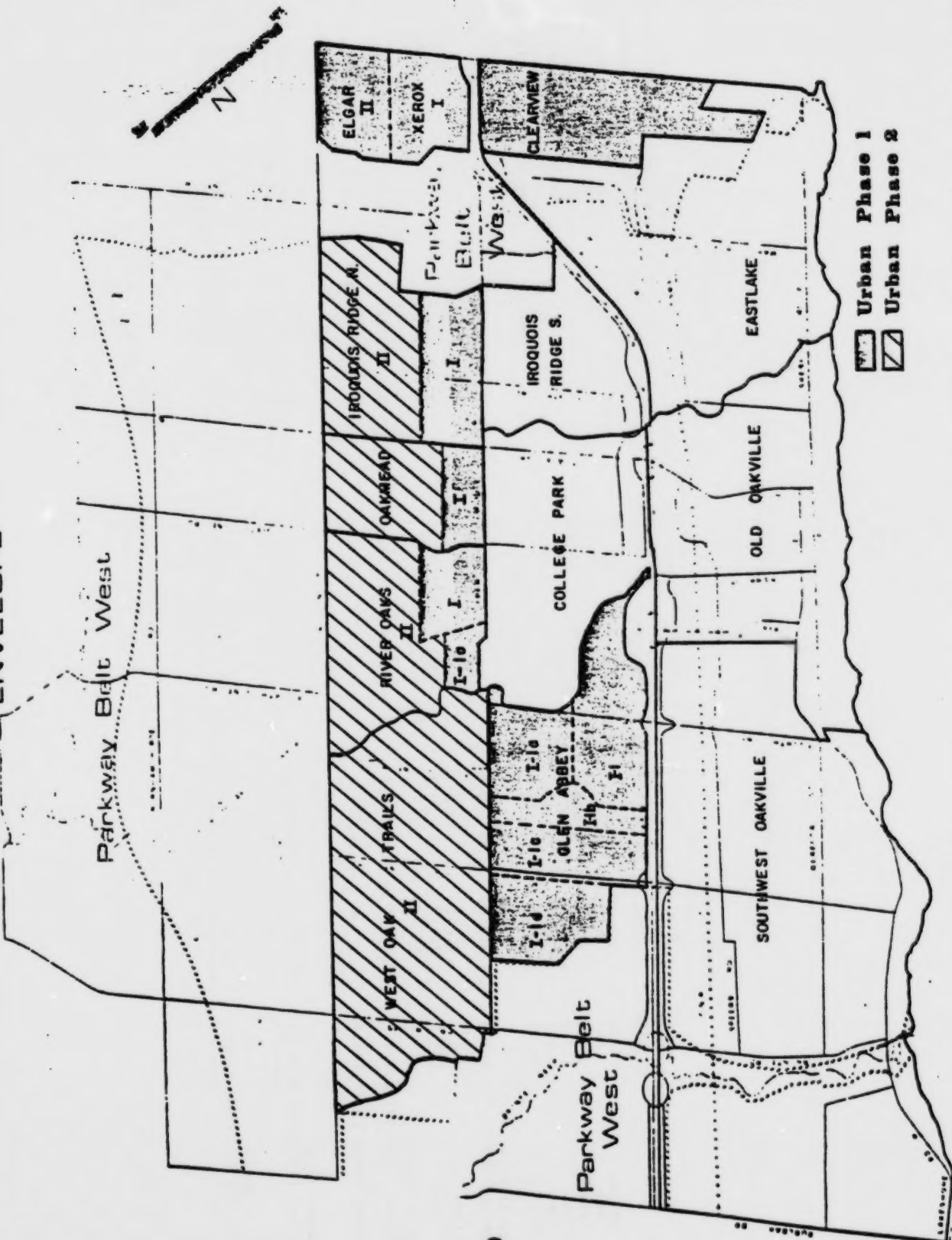


FIGURE 1

The OMB decision stipulates that certain lands within the envelope, known as Urban Phase 1 lands, will be developed in advance of the remaining lands within the envelope (such remaining lands being classified as Urban Phase 2 lands). Further, the Board stipulates that development in Urban Phase 2 lands will be considered premature until such time as 75% of the Urban Phase 1 lands have been developed.

Since the preparation of the Currie Coopers Lybrand Report, the timing of development proposals contained in Urban Phase I, have been reviewed by the Planning Departments of the Region and Oakville. This review indicates that the 75% "trigger" which would open Urban Phase 2 lands for development will not occur until 1995 or 1996.

It is proposed in the implementation report which follows that funding be secured for projects required to service Urban Phase 1 only and that developers owning lands within Urban Phase 1 be required to assist in the financing of these projects by participating in the Master Servicing and Financing Scheme. At such time as Urban Phase 2 becomes eligible for development, the entire Master Servicing and Financing Scheme would be reassessed to incorporate projects required for Urban Phase 2 as well as to realign financing responsibilities based on the inclusion of front-ending developers who would join the scheme in Urban Phase 2.

PART I

FISCAL IMPACT
OF THE
MASTER SERVICING AND FINANCING SCHEME

A. FISCAL IMPACT OF THE MASTER SERVICING AND FINANCING SCHEME

BASIS FOR ANALYSIS:

A series of possible financing alternatives are considered under two criteria: the impact on combined water and sewer rates, and the impact on the capacity of the Region to debenture finance the requirements resulting from the alternative being considered.

The following general assumptions are common to each alternative considered:

1. The forecast period used is consistent with that used in the Region's Capital Budget; namely, the five year period 1983 to 1987, inclusive;
2. All front-ending responsibilities undertaken by the Region are assumed to be debenture financed;
3. Provincial subsidies for eligible projects are assumed to be received at the current rate of 15% of project costs;
4. The calculation of debt charges is based upon the following assumptions regarding inflation and debenture coupon rates. All debentures are calculated using a ten year term:

TABLE 2:

<u>Year</u>	<u>Inflation (Increase over Previous year - %)</u>	<u>Debenture Coupon</u>
1983	N/A	15%
1984	9%	13
1985	8	11
1986	6	11
1987	6	11

N/A = Not applicable (all calculations in 1983 \$)

5. The proportion of total costs supported by water and sewer rates has been distributed to the customer groups on the basis of Council policies adopted 1983 Utility Budgets; namely,

...

5. (Cont'd)

TABLE 3:

Distribution of Rate Revenue Requirements
to Customer Groups
% of Total Requirements

<u>Year</u>	<u>Residential</u>	<u>Commercial/Industrial</u>
1983	68%	32%
1984	67	33
1985	66	34
1986	65	35
1987	64	36

All debt capacity calculations assume a 14% capitalization rate on undebentured capital obligations (see Appendix 3 for full explanation.

This distribution does not consider additional contributions made by residential component from capital levies.

6. No revenues will be collected from commercial/industrial lot levies during the forecast period.
7. The impact on rates reported in this study is on the basis of increase on combined rate revenue requirements and not on sewer rates to individual customers. As new customers join the system, the rate revenue requirement should be spread over a larger base of customers resulting in a moderation in the increase in rates applied to individual customers. However, the magnitude of this moderating impact cannot be predicted accurately. For example, it has been the experience in the last few years that although the customer base has been increasing, a significant increase in conservation has occurred which has resulted in very little increase in total water consumption. Should this trend continue in the future, the moderating impact of customer growth on rates could be only marginal.

DEBT CAPACITY

In the initial report, it was suggested that the debt guidelines be indexed to reflect the effect of inflation and future growth. The present method of calculating debt capacity by the Region which has been used for the purpose of analysis in this report does recognize both these factors.

Prudent management dictates that in the Region, just like any other Corporation, must establish fiscal policies which will monitor and control capital spending at a level that can be sustained within available financial resources (realty taxes, water and sewer rates). Major concerns in over-extending debt burdens are the weakening of the overall financial position of the Region, and the constraint in the financial flexibility to provide for municipal services in the future.

The authority of municipalities in Ontario to issue debentures is regulated by the Ontario Municipal Board (OMB). As part of its decision to grant this authority, the OMB undertakes a calculation to determine whether the existing level of debt of the municipality, plus any new debt being submitted for authorization, are within the financial capability of the municipality. The calculation is somewhat similar to the type of analysis done by a bank or trust company when it considers the approval of a loan to an individual. The lending institution would request information about all encumbrances on the individual's income. It would add to these encumbrances the requested loan payments, and would measure this against the individual's ability to generate funds to support these obligations.

The OMB debt calculation used in approving the issuance of municipal debt is based upon the principle that the payments due from long-term contractual obligations of the municipality (namely, debentures and long-term leases) shall not exceed 20% of the total expenditures of the municipality for its own purposes. In certain circumstances, at the Board's discretion (usually in areas experiencing a high and rapid rate of growth), the ratio may be allowed to exceed 20% and range as high as 25%. Only in the most extreme circumstances would the Board approve debenturing which would result in the ratio exceeding 25%, and then the Board would consider this only as a short-term occurrence. In other words, before approving debenturing which would result in a ratio over 25%, the Board would have to be convinced that in future years, steps were being taken to ensure that the ratio would fall below 25%.

Not included in the analysis of this report are certain projects which are not contained in the 1983-87 Capital Budget forecast, but which could be added in future years. The magnitude of costs arising from these projects could easily exhaust any remaining debt capacity available under the OMB regulations after financing for the Master Servicing Scheme has been considered. However, the carrying costs off excessive debt burdens cannot be sustained without imposing significant increases to the Regional levy and the utility rates.

These additional projects include:

- (a) Existing residential, existing commercial/industrial, new commercial/industrial components of development projects in Burlington, Halton Hills and Milton;
- (b) Halton Centennial Manor renovations resulting from Elderly Study;
- (c) Other facilities arising from the Elderly Study, perhaps in the Burlington-Oakville area;
- (d) Solid Waste Management Facilities such as energy from waste plant for transfer station(s) and/or sanitary landfill(s), at greater cost than presently contemplated;
- (e) New police headquarters building which the Police Commission and staff continue to mention;
- (f) Regional space needs such as purchase of the Public Works Building - South Service Road;
- (g) Further expansion of Public Works - North Service Centre to accommodate vehicle maintenance needs of H.R.C.A; and
- (h) Increased work at Water Treatment Plants in Burlington and Oakville to deal with increasing water quality concerns.

FISCAL IMPACT ANALYSIS

Case 1 - No Growth Alternative

Case 2 - Full Region Front-Ending

These two cases are considered together as they represent the maximum and minimum impacts which could occur. Case 1 is the "no growth" alternative. The analysis under this case is consistent with the presentation made to Council as part of the 1983 Utility Capital Budget in December 1982. In that presentation, rates were forecasted without any consideration of Regional requirements for new development projects needed for water and sewer purposes in Oakville. Case 2, on the other hand, assumes that all approved development proceeds, and that the Region undertakes to debenture all project costs and would only require developers to pay capital contributions. In other words, Case 1 does not recognize the development which has already commenced, while Case 2 allows all new development to proceed without a Master Servicing and Financing Scheme in place.

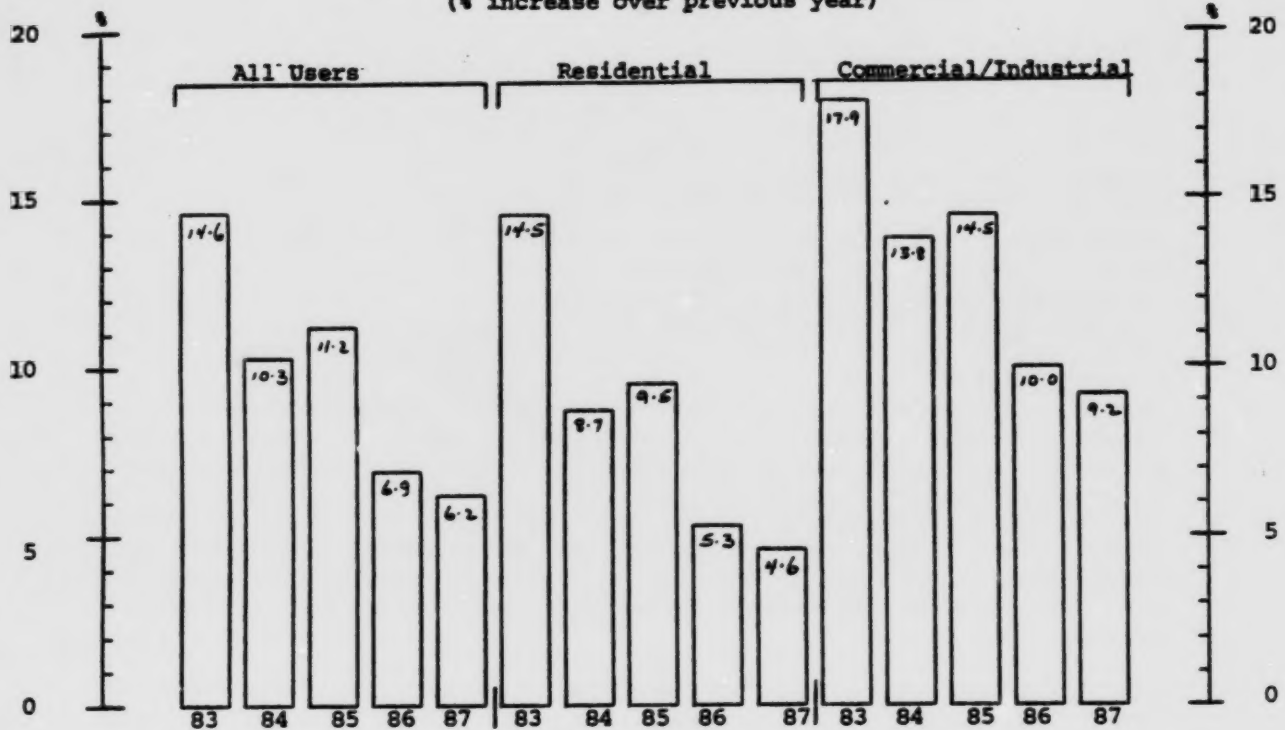
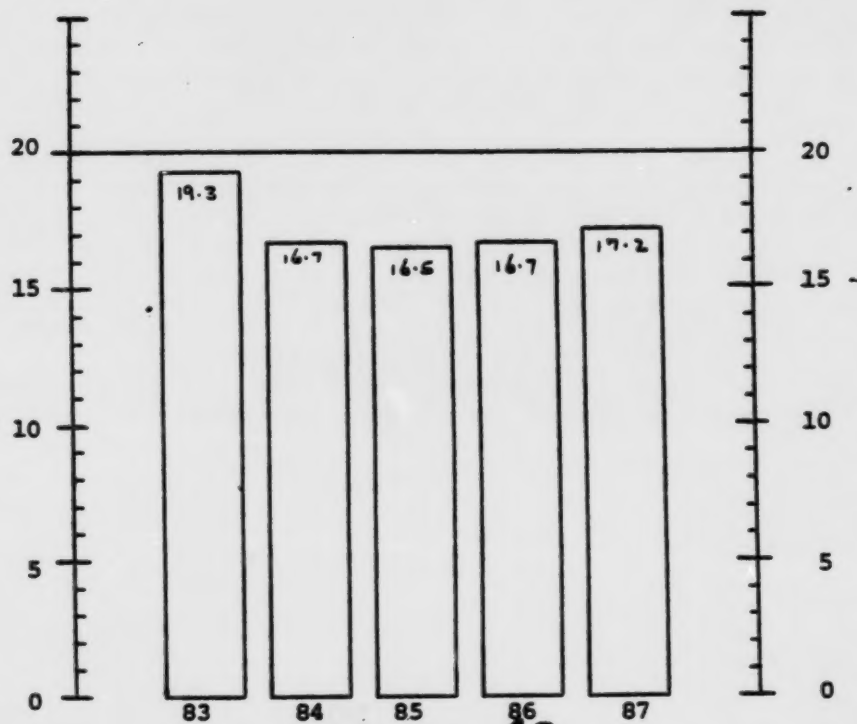
The impact on rate revenue requirements and debt capacity of these two Cases is shown graphically on Figures 2 and 3, and also on Tables 4 and 5.

In summary, allowing no new growth to proceed (i.e. building only for the needs of the existing community) would result in rate revenue requirement increases averaging 9.8% in each of the years 1983 to 1987. In addition, the OMB debt calculation under this Case is, in every year of the forecast period, below the 20% maximum. This scenario highlights the impact on rates as approved in the 1983 Utility Budget.

Conversely, were the Region to proceed with all required new development projects for water and sewer purposes, and finance all these costs via Regional debentures (Case 2) the impact on rates and debt capacity would be very significant. Specifically, under this alternative, rate revenue requirement increases would average 14.7% in each of the years 1983 to 1987, and debt capacity would exceed the 20% maximum set by the OMB in every single year of the forecast period. Also, during the final two years of the forecast (1986 and 1987), the ratio approaches and surpasses the absolute limit allowed by the Board.

COMBINED WATER AND SEWER RATE REVENUE REQUIREMENT

(% increase over previous year)

ONTARIO MUNICIPAL BOARD DEBT CAPACITY RATIO

CASE 1TABLE 4IMPACT ANALYSIS BASED ON: No GrowthA COMBINED WATER AND SEWER RATE REVENUE REQUIREMENTS .

	<u>All Users</u>		<u>Residential</u>		<u>Commercial/ Industrial</u>	
	<u>\$000</u>	<u>% increase</u>	<u>\$000</u>	<u>%increase</u>	<u>\$000</u>	<u>%increase</u>
1983	21028	14.6	14300	14.5	6728	17.9
1984	23196	10.3	15541	8.7	7655	13.8
1985	25789	11.2	17021	9.5	8768	14.5
1986	27566	6.9	17918	5.3	9648	10.0
1987	29279	6.2	18739	4.6	10540	9.2

Average Annual
increase

1982 - 1987 (%)

9.8

8.2

13.1

B. ONTARIO MUNICIPAL BOARD DEBT CAPACITY CALCULATION

1983	19.3
1984	16.7
1985	16.5
1986	16.7
1987	17.2

Assumptions:

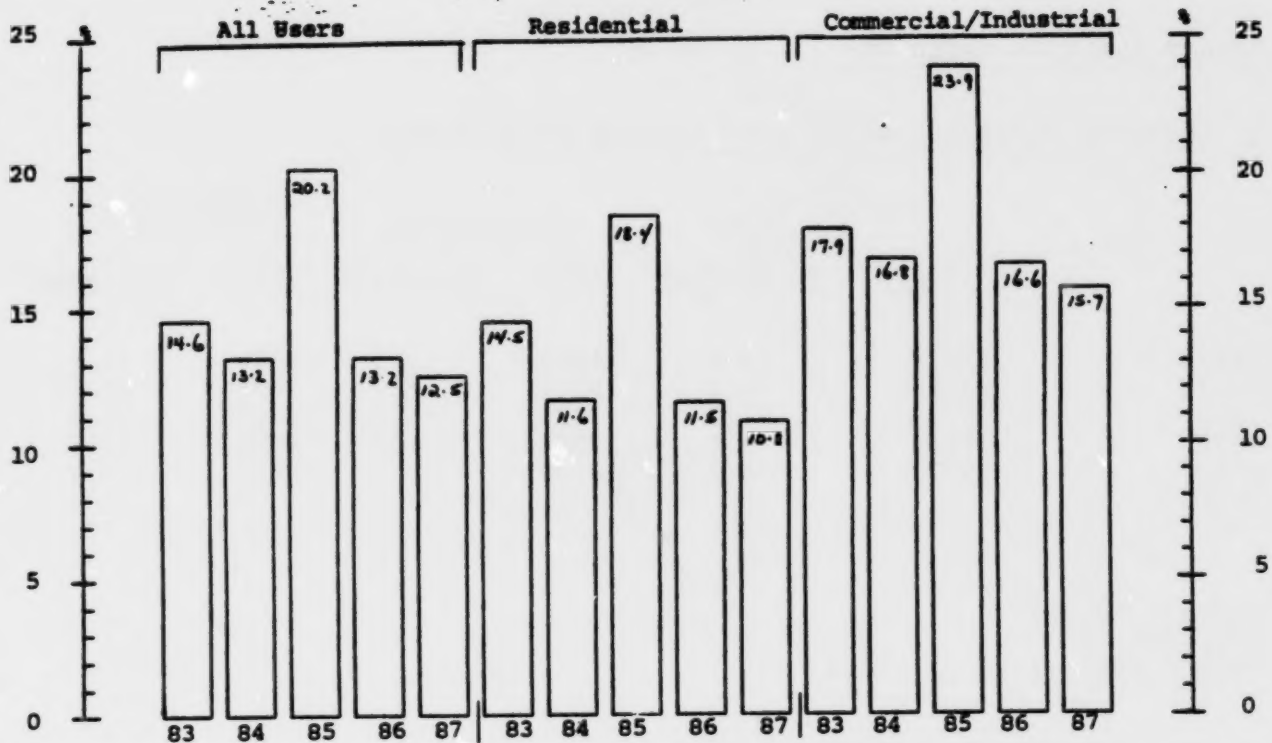
No "new development" water and sewer projects are undertaken during the period 1983 - 1987. This corresponds to the rate impact presented in the 1983 Capital Budget where consideration was made to provide funding for projects needed for the existing users of the system.

CASE 2 - FULL REGION FRONT-ENDING

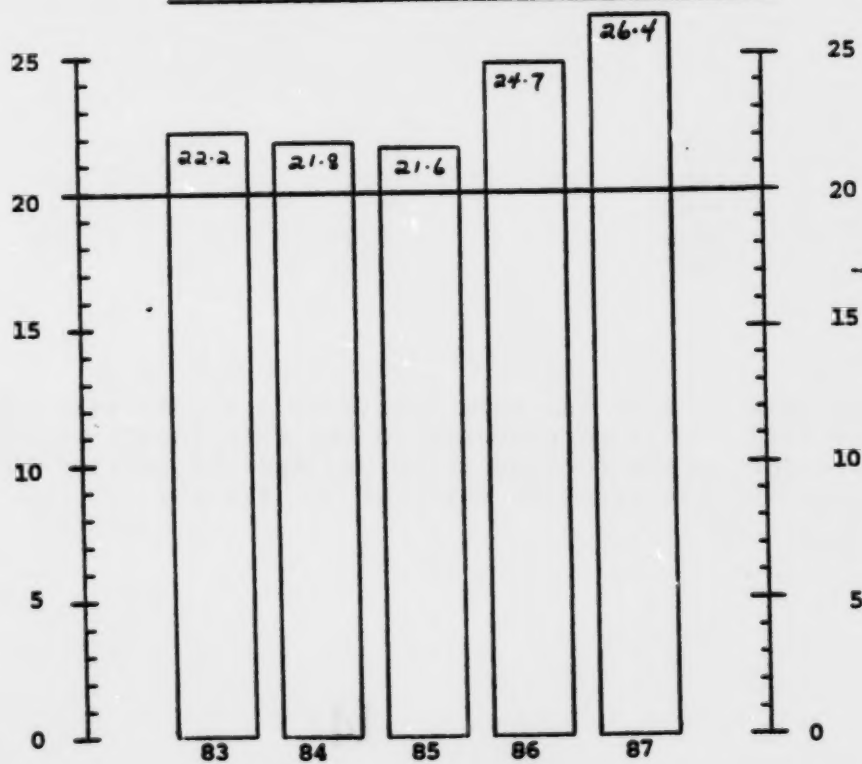
COMBINED WATER AND SEWER RATE
REVENUE REQUIREMENT

FIGURE 3

(% increase over previous year)



ONTARIO MUNICIPAL BOARD DEBT CAPACITY RATIO



CASE 2TABLE 5IMPACT ANALYSIS BASED ON: All Growth Front-Ended by RegionA COMBINED WATER AND SEWER RATE REVENUE REQUIREMENTS .

	<u>All Users</u>		<u>Residential</u>		<u>Commercial/ Industrial</u>	
	<u>\$000</u>	<u>% increase</u>	<u>\$000</u>	<u>%increase</u>	<u>\$000</u>	<u>%increase</u>
1983	21028	14.6	14299	14.5	6729	17.9
1984	23814	13.2	15955	11.6	7859	16.8
1985	28628	20.2	18894	18.4	9734	23.9
1986	32421	13.2	21074	11.5	11347	16.6
1987	36470	12.5	23341	10.8	13129	15.7

Average Annual
increase

1982 - 1987 (%)

14.7

13.0

18.2

B. ONTARIO MUNICIPAL BOARD DEBT CAPACITY CALCULATION

1983	22.2
1984	21.8
1985	21.6
1986	24.7
1987	26.4

Assumptions:

1. All "new development" water and sewer projects are front-end financed by the Region with developer paying only capital contributions.

What this indicates is that even if the Region were willing to absorb 15% rate revenue increases in each year of the forecast period, the OMB would not under its present rules sanction the debenture financing necessary to carry out full front-ending by the Region. This alternative would also cause a significant deterioration in the overall financial position of the Region and would very likely affect the Region's ability to obtain debenture financing without being subject to the payment of an excessive premium. This premium would also adversely affect the four area municipalities as the Region is the sole borrowing authority for these municipalities.

Case 3 - Full Participation - Master Servicing: Option A

Under existing Provincial legislation which regulates the imposition of lot levies, a municipality can collect levies from new residents to defray capital costs resulting from the need for additional infrastructure to service these new residents. Under the legislation, therefore, it is acknowledged that levies collected from new residents may be sufficient to provide this new infrastructure, but should not exceed this requirement such that they also provide for infrastructure to service other groups. In short, new residential development should ultimately finance only the cost of new residential growth, and benefits to the existing community should ultimately be financed by existing users via charges against water and sewer rates.

One of the required objectives of the implementation strategy is to assign the costs of new residential-related growth to developers, who would be expected to pay for these costs as a group via the collection of residential development charge levies (lot levies). Under Option "A", residential developers would be responsible for providing financing for the following water and sewer projects (or portions thereof):

1. Services internal to developer subdivisions; and
2. New residential growth-related projects.

These costs would be secured by irrevocable letters of credit when developers sign their initial development agreements.

The Region would undertake to assume the remaining water and sewer project costs; namely,*

1. New commercial/industrial growth-related costs;
2. Existing residential community-related costs; and
3. Existing commercial/industrial-related costs.

*Reference can be made to Table 1 which presents a breakdown of total costs by user groups.

MASTER SERVICING AND FINANCING - OPTION A

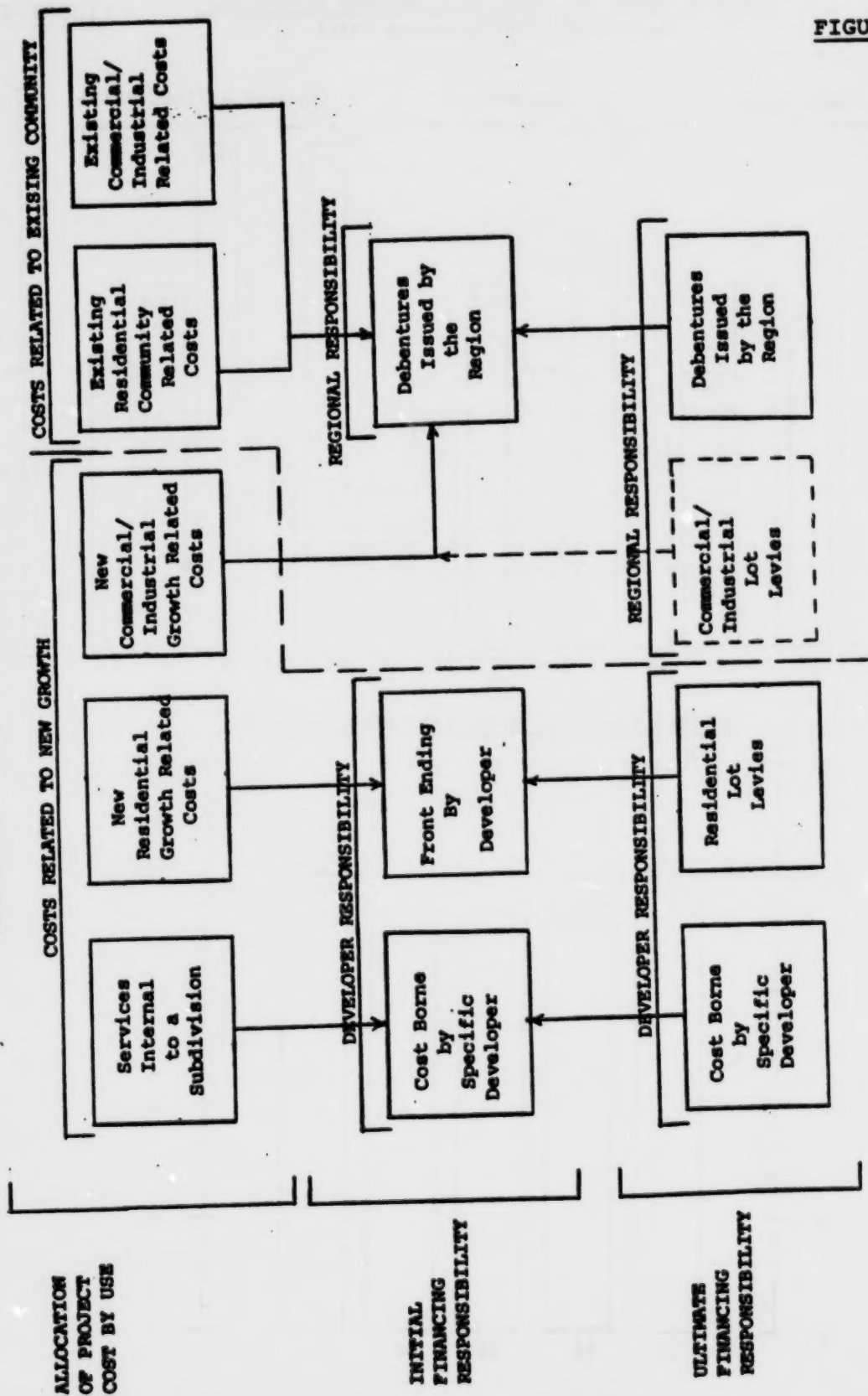
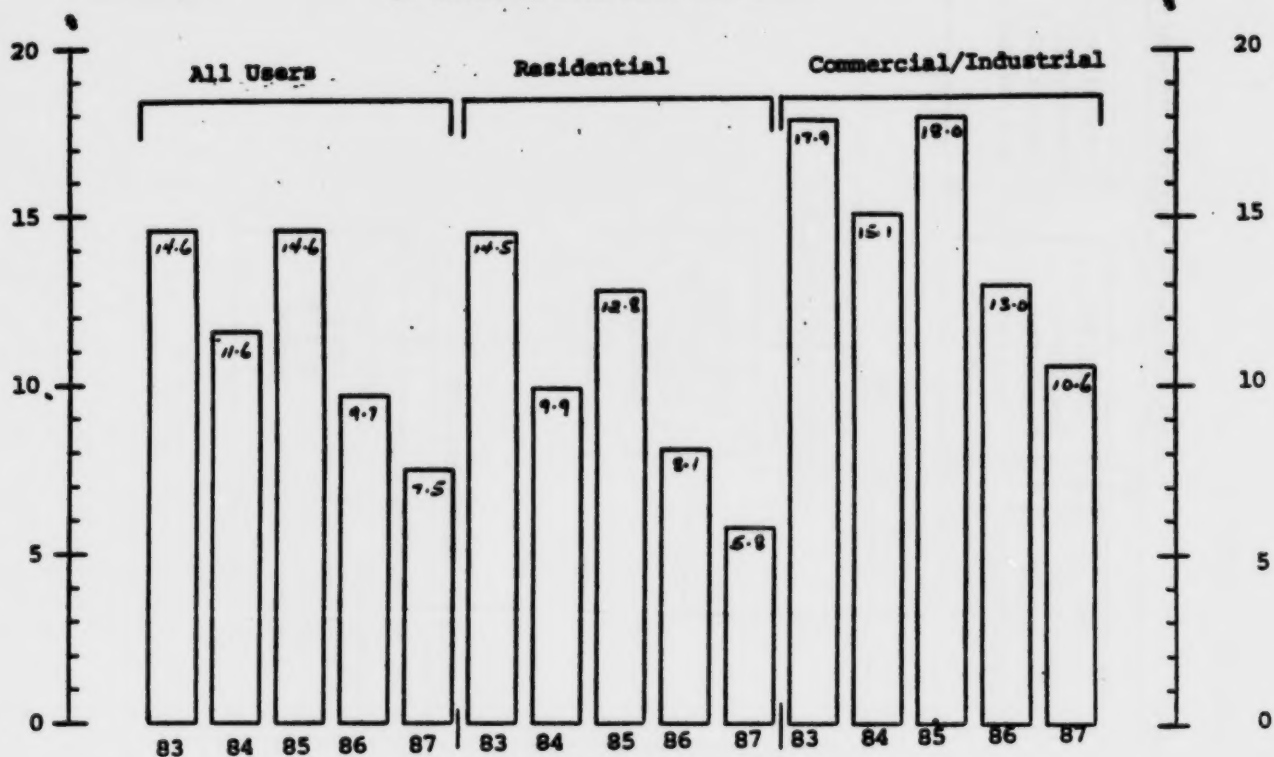


FIGURE 4

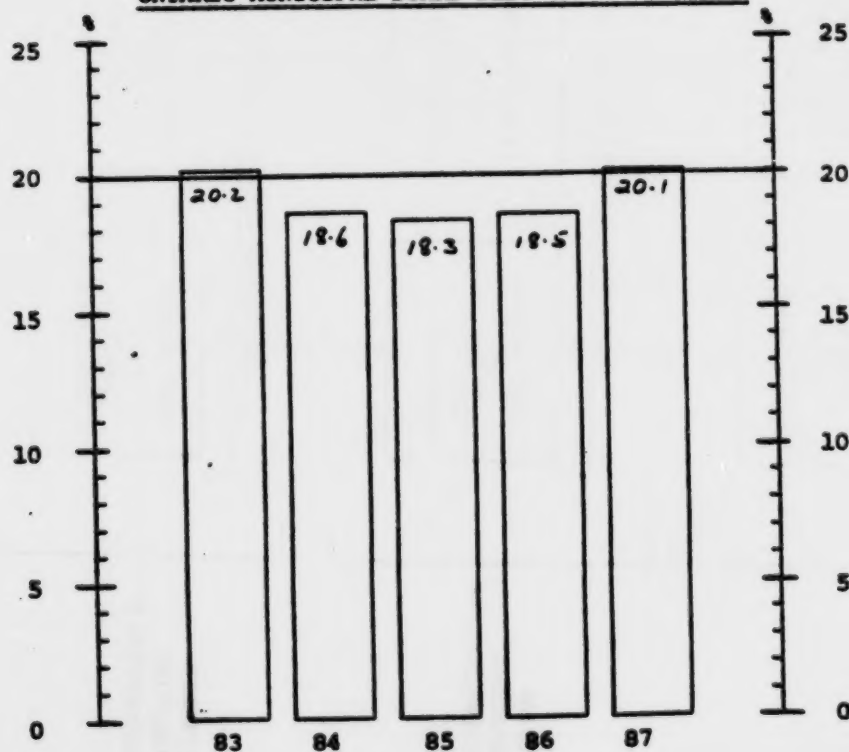
CASE 3 - FULL PARTICIPATION MASTER SERVICING OPTION "A"

COMBINED WATER AND SEWER RATE REVENUE REQUIREMENT
(% increase over previous year)

FIGURE 5



ONTARIO MUNICIPAL BOARD DEBT CAPACITY RATIO



CASE 3TABLE 6

IMPACT ANALYSIS BASED ON: Full Participation Master Servicing -
Option A.

A COMBINED WATER AND SEWER RATE REVENUE REQUIREMENTS .

	<u>All Users</u>		<u>Residential</u>		<u>Commercial/ Industrial</u>	
	<u>\$000</u>	<u>% increase</u>	<u>\$000</u>	<u>%increase</u>	<u>\$000</u>	<u>%increase</u>
1983	21028	14.6	14300	14.5	6728	17.9
1984	23466	11.6	15722	9.9	7744	15.1
1985	26881	14.6	17741	12.8	9140	18.0
1986	29498	9.7	19174	8.1	10324	13.0
1987	31708	7.5	20293	5.8	11415	10.6

Average Annual
increase

1982 - 1987 (%) 11.6 9.9 14.9

B. ONTARIO MUNICIPAL BOARD DEBT CAPACITY CALCULATION
(Based on 14% capitalization)

1983	20.2
1984	18.6
1985	18.3
1986	18.5
1987	20.1

- Assumptions:
1. Developer front-ending responsibility
 - internal services
 - new residential project costs
 - b) Regional front-ending responsibility
 - new commercial/industrial project costs
 - existing commercial/industrial project costs
 - existing residential project costs
 2. Full front-ending is secured from developers on a community basis.

Figure 4 gives a schematic outline of the assignment of responsibilities under Option "A". Initial financing refers to the front-ending allocation, while the ultimate responsibility refers to the final allocation after all funds have been repaid to front-ending parties.

The impact of Case 3 is presented graphically in Figure 5 and also on Table 6. In summary, rate revenue requirements will increase on average by 11.6% over forecast period, and debt capacity will approach the OMB maximum and exceed it slightly in 1983 and 1987.

Case 4 - Full Participation Master Servicing Option B

The previous case (Case 3) represents a practical maximum amount of front-ending that could be undertaken by the Region within the debt capacity restrictions imposed by the OMB. As a consequence of the significant rate and debt capacity increases projected to occur if Option "A" is implemented, a modification to this proposal, Option "B", has been formulated.

Under the terms of Option "B", the initial front-ending responsibility of developers would be expanded to include the financing of the new commercial/industrial growth-related component of project costs under the Master Servicing and Financing Scheme. It is acknowledged that this component would ultimately be the responsibility of the Region. Therefore, it is proposed that during the budget process each year, the Region undertake to earmark a portion of current contributions to capital for water and sewer purposes in order to reduce its liability with front-ending developers. The advantages of this option are primarily two-fold. Firstly, it reduces significantly the net debenture requirement of the Region; and secondly, it provides a repayment schedule which is orderly and within the financing capability of the total water and sewer budget.

Figure 6 gives a schematic outline of the assignment of responsibilities under Option "B".

Specifically, Option "B" assumes that developers will front-end the cost of:

- (i) New residential growth-related costs, and
- (ii) New commercial/industrial growth-related costs.

MASTER SERVICING AND FINANCING - OPTION B

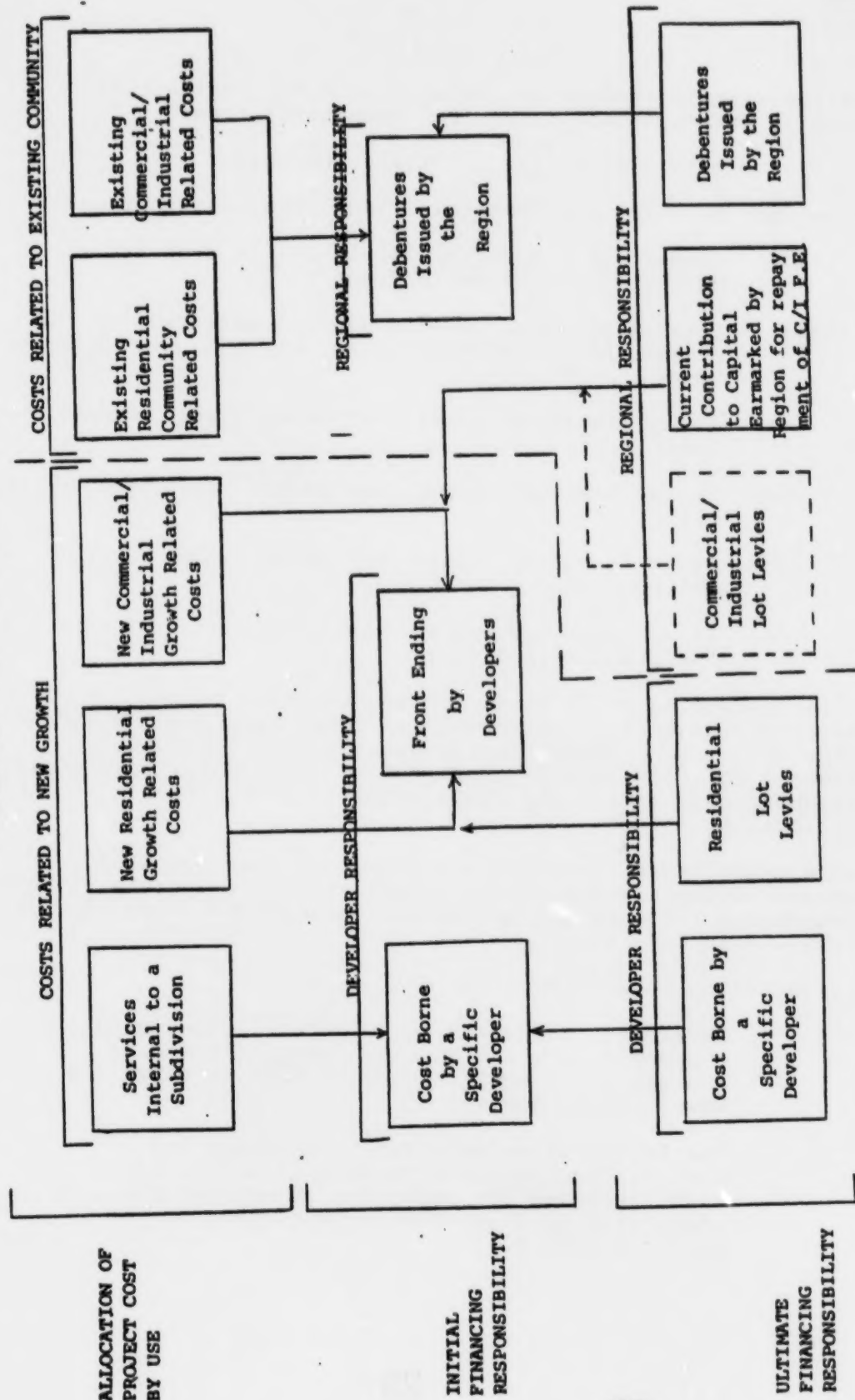


FIGURE 6

Developers would recover any amounts paid for residential growth in excess of their required commitment from:

- (i) Future residential lot levies payable;
and amounts paid for new commercial/industrial growth from:
- (ii) Commercial/industrial lot levies if such are collected by the Region; and
- (iii) Current contributions to capital earmarked by the Region for repayment, such amounts to be based upon:
 - (a) 1% of combined water and sewer rate revenue in 1984;
 - (b) 2% of combined water and sewer rate revenue in 1985;
 - (c) 3% of combined water and sewer rate revenue in 1986;
 - (d) 4% of combined water and sewer rate revenue in 1987, and thereafter;

until outstanding obligations for front-ending of new commercial/industrial growth related costs have been repaid. To the extent that commercial/industrial lot levies are collected for flow back to front-ending developers, this would correspondingly reduce the funds required from current contributions.

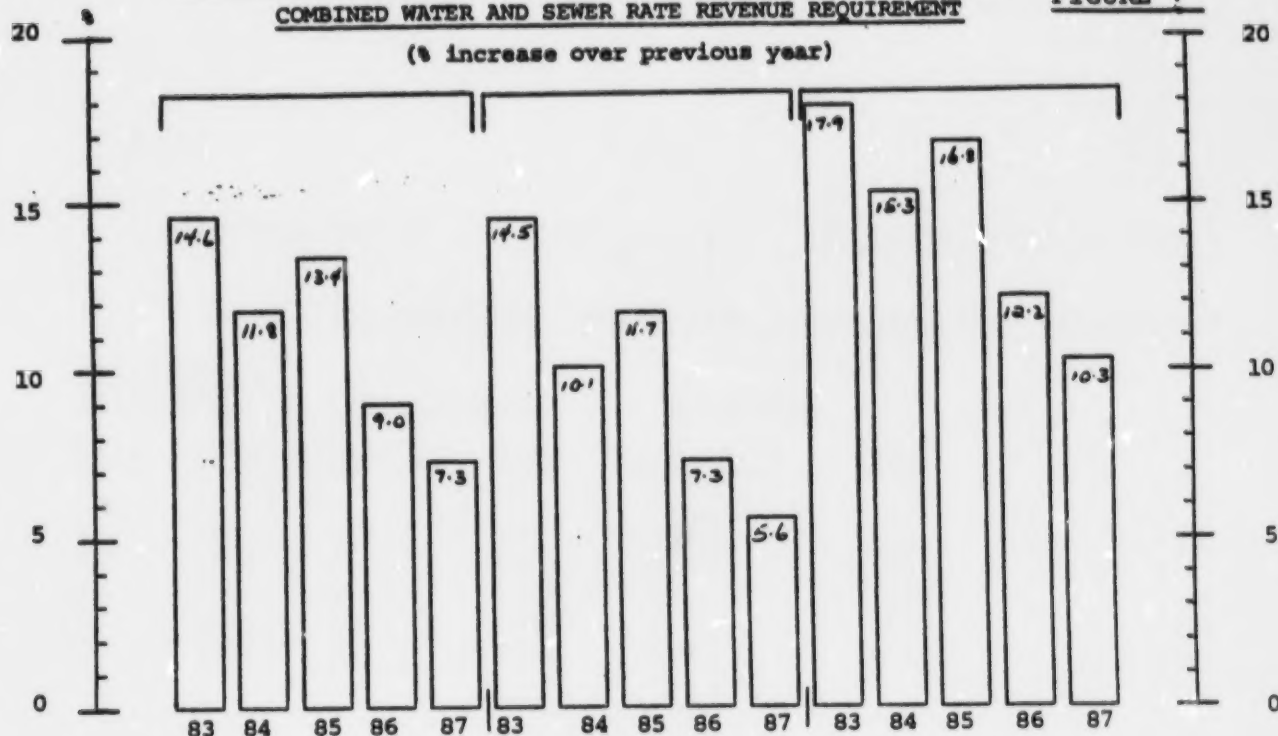
Figure 7 and Table 7 present the impact of Case 4. When compared to Case 3, there is a slight reduction in rate revenue requirements (from an average yearly increase of 11.6% in Case 3 to 11.2% in Case 4).

This reduction results from the following:

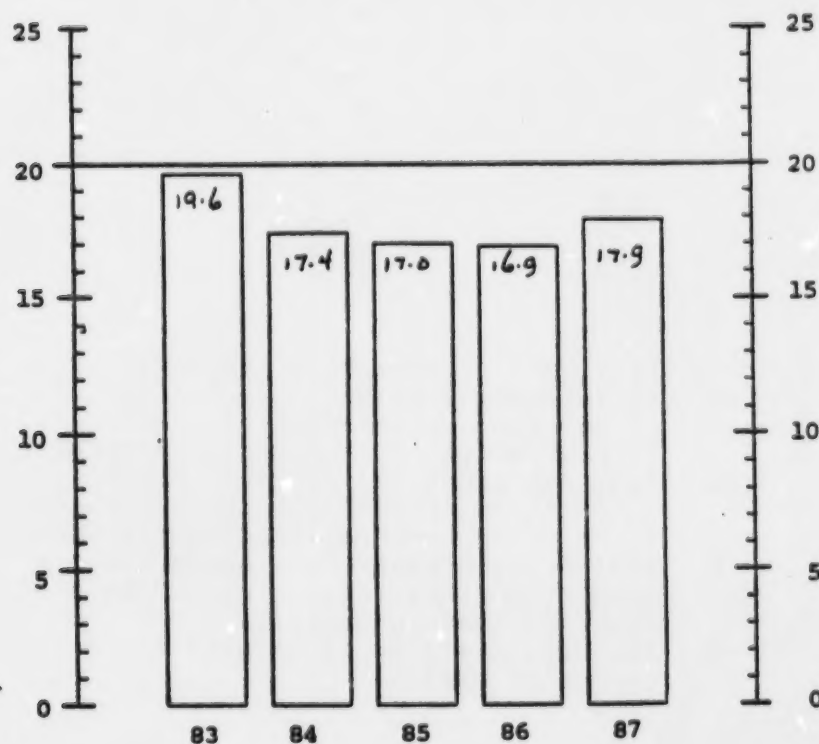
1. Developers are assuming a larger front-ending responsibility and thereby reducing the debt charges which would otherwise fall on water and sewer rates; however
2. The Region is undertaking to increase its current contributions to capital and earmark such increases for repayment of obligations undertaken by front-ending developers on the Region's behalf.

CASE 4 - FULL PARTICIPATION MASTER SERVICING OPTION
 COMBINED WATER AND SEWER RATE REVENUE REQUIREMENT
 (% increase over previous year)

FIGURE 7



ONTARIO MUNICIPAL BOARD DEBT CAPACITY RATIO



CASE 4TABLE 7

IMPACT ANALYSIS BASED ON: Full Participation Master Servicing -
Option B

A COMBINED WATER AND SEWER RATE REVENUE REQUIREMENTS .

	<u>All Users</u>		<u>Residential</u>		<u>Commercial/ Industrial</u>	
	<u>\$000</u>	<u>% increase</u>	<u>\$000</u>	<u>%increase</u>	<u>\$000</u>	<u>%increase</u>
1983	21028	14.6	14300	14.5	6728	17.9
1984	23506	11.8	15749	10.1	7757	15.3
1985	26661	13.4	17597	11.7	9064	16.8
1986	29058	9.0	18888	7.3	10170	12.2
1987	31171	7.3	19949	5.6	11222	10.3

Average Annual
increase

1982 - 1987 (%)	11.2	9.5	14.6
-----------------	------	-----	------

B. ONTARIO MUNICIPAL BOARD DEBT CAPACITY CALCULATION
(Based on 14% Capitalization)

1983	19.6
1984	17.4
1985	17.0
1986	16.9
1987	17.9

- Assumptions:
1. Developer front-ending responsibility
 - internal services
 - new residential project costs
 - new commercial/industrial project costs
 - b) Regional front ending responsibility
 - existing residential project costs
 - existing commercial/industrial project costs
 2. Region would repay developers for new commercial/industrial project costs via current contributions to capital.
 3. Full front-ending is secured for developers on a community basis.

The significant impact is in the reduction in the debt capacity ratio achieved under Option "B". This occurs because payments are being transferred from debt charges (included in the calculation) to current contributions (not included in the calculation). Under Case 4 (Option "B") the debt capacity ratio is 2% below the maximum in every year of the forecast period except one (1983).

Case 5 - Partial Participation: Option "A"

Case 6 - Partial Participation: Option "B"

The alternative financial schemes based on full Master Servicing and Financing participation (Case 3 and 4) assumed that front-end financing responsibilities assigned to developers would be secured on a community-by-community basis within Urban Phase 1, and that the first developer to join the scheme would post letters of credit sufficient to cover the front-ending assigned to the community to which he belongs.*

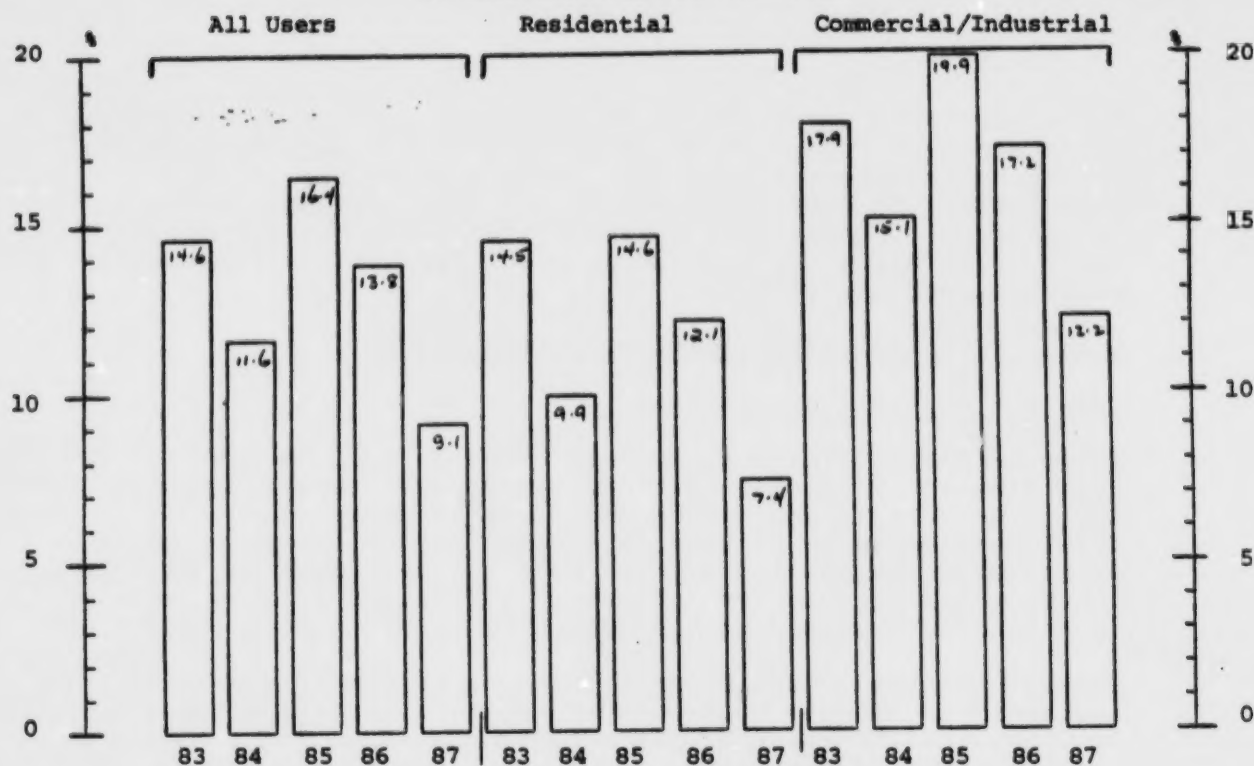
Several potential participants in the scheme have expressed the desire to be allowed to proceed by posting letters of credit only for their portion of the total community. The analysis in Cases 5 and 6 assumes that certain developers are allowed to proceed on a piece-meal basis, and that the Region is therefore at risk to provide funding for the balance of costs assignable to their communities. Further, it is assumed, for the purpose of the analysis, that no other developers within the community join the scheme during the forecast period, and the Region must therefore undertake to debenture-finance the additional project costs not assumed by the developers.

Figures 8 and 9, and Tables 8 and 9, outline the impacts of Cases 5 and 6 respectively. In summary, allowing developers to proceed on an individual basis creates a significant additional risk for the Region. In terms of rate revenue requirements, the Region could face annual increases of 13% over the forecast period. Also, the impact on debt capacity is sufficient to raise the ratio to over 19% and, in certain years, to over 20%.

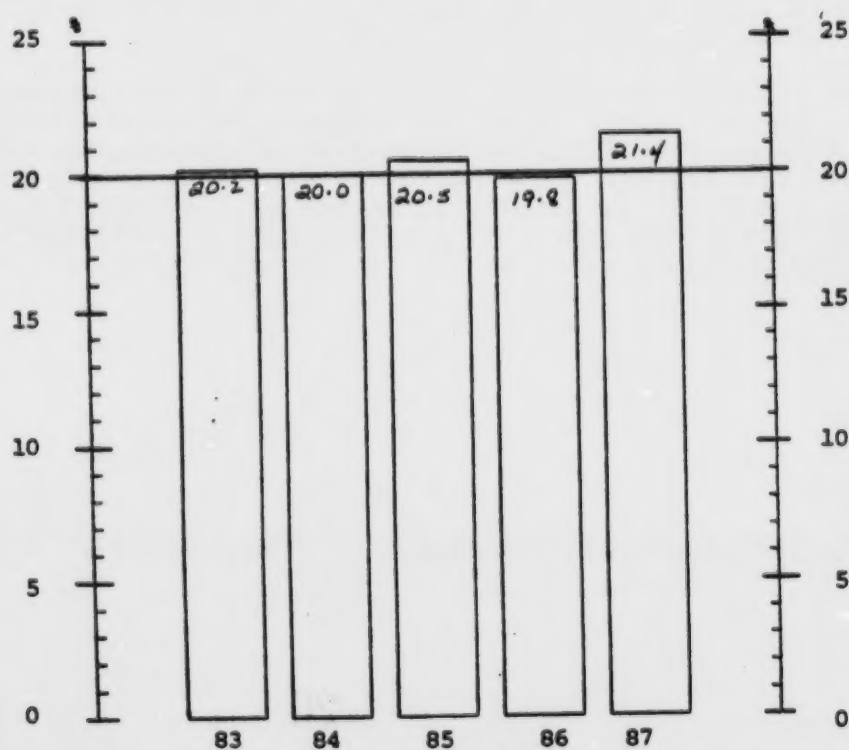
*The Section entitled "Assignment of Responsibility" provides further details.

CASE 5 - PARTIAL MASTER SERVICING - OPTION "A"
COMBINED WATER AND SEWER RATE REVENUE REQUIREMENT
 (% increase over previous year)

FIGURE 8



ONTARIO MUNICIPAL BOARD DEBT CAPACITY RATIO



CASE 5TABLE 8

IMPACT ANALYSIS BASED ON: Partial Participation Master Servicing - Option A

A COMBINED WATER AND SEWER RATE REVENUE REQUIREMENTS .

	<u>All Users</u>		<u>Residential</u>		<u>Commercial/ Industrial</u>	
	<u>\$000</u>	<u>% increase</u>	<u>\$000</u>	<u>%increase</u>	<u>\$000</u>	<u>%increase</u>
1983	21028	14.6	14300	14.5	6728	17.9
1984	23466	11.6	15722	9.9	7744	15.1
1985	27306	16.4	18023	14.6	9285	19.9
1986	31091	13.8	20209	12.1	10882	17.2
1987	33919	9.1	21708	7.4	12211	12.2

Average Annual
increase

1982 - 1987 (%)

13.1

11.4

16.5

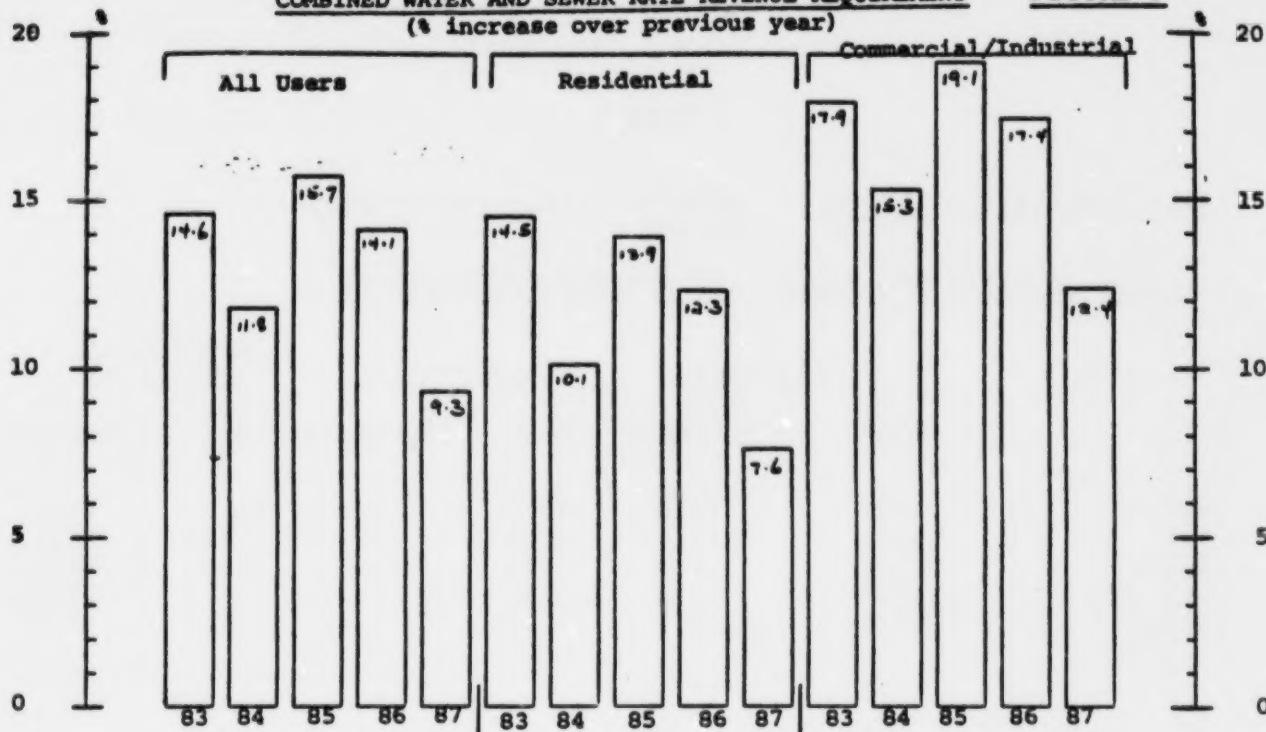
B. ONTARIO MUNICIPAL BOARD DEBT CAPACITY CALCULATION

1983	20.2
1984	20.0
1985	20.5
1986	19.8
1987	21.4

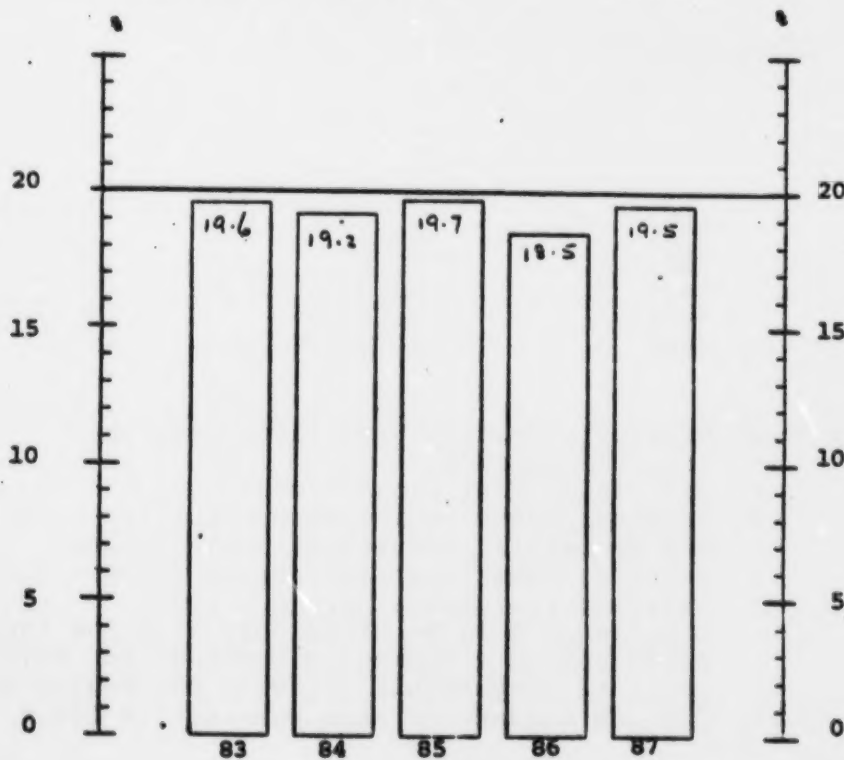
- Assumptions:
- 1.a) Developer front-ending responsibility
 - internal services
 - new residential project costs
 - b) Regional front-ending responsibility
 - new commercial/industrial project costs
 - existing commercial/industrial project costs
 - existing residential project costs
 2. Front-ending is secured only from the largest developer in a community based on the developer's pro-rata responsibility, with the Region being at risk for the balance of each community's front-ending.

CASE 6 - PARTIAL MASTER SERVICING OPTION "B"
COMBINED WATER AND SEWER RATE REVENUE REQUIREMENT
 (% increase over previous year)

FIGURE 9



ONTARIO MUNICIPAL BOARD DEBT CAPACITY RATIO



CASE 6TABLE 9

IMPACT ANALYSIS BASED ON: Partial Master Servicing - Option B

A COMBINED WATER AND SEWER RATE REVENUE REQUIREMENTS .

	<u>All Users</u>		<u>Residential</u>		<u>Commercial/ Industrial</u>	
	<u>\$000</u>	<u>% increase</u>	<u>\$000</u>	<u>%increase</u>	<u>\$000</u>	<u>%increase</u>
1983	21028	14.6	14300	14.5	6728	17.9
1984	23506	11.8	15749	10.1	7757	15.3
1985	27185	15.7	17943	13.9	9242	19.1
1986	31012	14.1	20158	12.3	10854	17.4
1987	33882	9.3	21684	7.6	12198	12.4

Average Annual
increase

1982 - 1987 (%)

13.0

11.3

16.4

B. ONTARIO MUNICIPAL BOARD DEBT CAPACITY CALCULATION

1983	19.6
1984	19.2
1985	19.7
1986	18.5
1987	19.5

- Assumptions:
- 1 a) Developer front-ending responsibility
 - internal services
 - new residential project costs
 - new commercial/industrial project costs
 - b) Regional front-ending responsibility
 - existing residential project costs
 - existing commercial/industrial project costs
 2. Region would repay developers for new commercial/industrial project costs via current contribution to capital
 3. Front-ending is secured only from the largest developer in a community based on the developer's pro rata responsibility, with the Region being at risk for the balance of each community's front-ending.

SUMMARY OF IMPACT ANALYSIS AND CONCLUSIONS

The following table provides a summary of the rate revenue and debt capacity impacts of the six cases considered:

TABLE 10:

	Average Annual Required Rate Revenue Increase (% 1983-87)	Debt Capacity Range (1983-87)
Case 1 - No Growth	9.8	16.5 - 19.3
Case 2 - Full Regional Front-ending	14.7	21.6 - 26.4
Case 3 - Full Participation Master Servicing: - Option "A"	11.6	18.3 - 20.2
Case 4 - Full Participation Master Servicing: - Option "B"	11.2	17.0 - 19.6
Case 5 - Partial Participation Master Servicing: - Option "A"	13.1	19.8 - 21.4
Case 6 - Partial Participation Master Servicing: - Option "B"	13.0	18.5 - 19.6

The foregoing analysis leads to the following conclusions:

1. Implementation of Case 1 (no growth) is not a realistic alternative as it provides no solution to development problems. Also, it ignores the reality that the Region has already negotiated three preliminary subdivision agreements in Oakville each of which acknowledges that a Master Servicing and Financing Scheme will be implemented.
2. The implementation of Case 2 assumes that the Region abandons the Master Servicing and Financing concept and undertakes to finance all water and sewer costs for new development via Regional debentures, collecting only capital contributions from developers. Apart from the extreme nature of this Case based on its impact on revenue requirements (14.7% average increase per year, 1983 - 1987), the Ontario Municipal Board would not permit the Region to proceed with this alternative under its present rules due to its adverse affect on debt capacity (up to 26.4% by 1987). This alternative is presently not within the financial capability of the Region.

3. Partial participation in the Master Servicing and Financing Scheme is the situation where developers are required to front-end finance only on the basis of their individual holdings rather than initially front-ending the requirements of their entire community. The analysis presented in this report (Cases 5 and 6) indicates that such a scenario would result in an unacceptably high risk as the Region could face a considerable additional financing requirement should a continuing flow of new development not occur to support needed projects only partially financed.
4. Based on the analysis presented, it appears that the only viable alternatives for development to proceed would be on the basis of a full participation Master Servicing and Financing Scheme (Cases 3 and 4). Under these alternatives, front-ending would be required on projects assigned to communities rather than only on partial community front-ending if developers were allowed to proceed on a piece-meal basis.

P A R T I I

FURTHER POLICY CONSIDERATIONS

B. FURTHER POLICY CONSIDERATIONS

ASSIGNMENT OF DEVELOPER RESPONSIBILITY

A number of development interests commenting on the initial Master Servicing and Financing Scheme as outlined in the 1981 Currie Coopers and Lybrand Report, expressed concern over housing unit estimates used, and argued that some communities may carry larger or smaller front-ending responsibilities due to physical (land) limitations within a community. It was proposed at that time (and is reaffirmed in the recommendations of the implementation report currently being presented) that a more appropriate distribution of community front-ending responsibilities would be on the basis of net developable acreage. Appendix 4 of this report defines this concept and established the proposed method of allocating responsibilities.

To undertake a complete estimate of net developable acreages within the Urban Phase 1 envelope of Oakville will require further work which will begin if the concept of dividing responsibilities on this basis is approved as a part of the implementation strategy. Rather than wait for this more accurate measurement, a preliminary indication of developer responsibilities has been estimated based upon information available on total units to be built within each community. Table 11 outlines the distribution of Urban Phase 1 on a units basis both by communities and by front-ending developers within each community. An explanation of the criteria used to determine which developers will to participate in front-end financing in the scheme is given in Appendix 5.

Table 12 allocates the front-ending responsibilities (on a units basis) according to the front-ending requirements resulting from the adoption of either the Option "A" financing alternative (presented in Cases 3 and 5) or the Option "B" alternative (presented in Cases 4 and 6).^{*} As the table shows, full participation by developers on a community basis requires total front-ending by Urban Phase 1 developers of \$46.9 million under Option "A" or \$60.4 million under Option "B". This table also presents the additional risk that the Region could be exposed to during Urban Phase 1 if developers were allowed to proceed on a piece-meal basis (i.e. not providing front-ending on a community basis). This risk calculation is based upon allowing only the largest developer in each community to proceed on an individual basis in addition to front-ending from developers who have already signed preliminary development agreements with the Region. The additional risk could be as high as \$10.9 million if Option "A" is pursued or as high as \$14 million if Option "B" is adopted.

^{*}The current forecast for Urban Phase 1 development will require that all necessary water and sewer projects commence construction by 1989. See Appendix 2 for details.

TABLE 11

FRONT-ENDING DEVELOPERS IN URBAN PHASE I

	<u>Yr. of Signing</u>	<u>Units</u>	<u>% of Total Units</u>
Glen Abbey*			
Genstar	1980	5752	34.48%
Birchtree	1984	1414	8.47
Others	1988/93	2232	13.38
Total		<u>9398</u>	<u>56.33</u>
River Oaks			
Anprop	1983	2003	12.00
Total		<u>2003</u>	<u>12.00</u>
Iroquois Ridge North			
Metro Bayshire	1984	720	4.32
NHD	1984	663	3.97
Carma	1984	463	2.77
Franway	1984	111	0.67
Total		<u>1957</u>	<u>11.73</u>
Oakmead			
Petis	1983	277	1.66
Skytop	1984	223	1.34
Oaksyn	1986	219	1.31
Total		<u>719</u>	<u>4.31</u>
Clearview			
Pinetree	1984	1072	6.42
Sheridan Nursery	1984	452	2.71
281990	1984	313	1.88
Total		<u>1837</u>	<u>11.01</u>
Infill Front Enders			
Valtyne	1984	282	1.69
Wimpey	1981	244	1.46
Sextet	1984	150	0.90
Atrela	1983	95	0.57
Total		<u>771</u>	<u>4.62</u>
Grand Total		<u>16685</u>	<u>100.00%</u>

*Distribution based on: NH1 = Genstar + Birchtree
 NH2 = Genstar
 NH3 = 85% Genstar / 15% Others
 NH4 = 15% Genstar / 85% Others

TABLE 12

FRONT-ENDING RESPONSIBILITIES
(\$ Million 1983 \$)

	OPTION A		OPTION B	
	<u>FULL PARTICIPATION</u>	<u>PARTIAL PARTICIPATION</u>	<u>FULL PARTICIPATION</u>	<u>PARTIAL PARTICIPATION</u>
Glen Abbey				
Genstar	16.2	16.2	20.8	20.8
Birchtree	3.9		5.1	
Others	6.3	6.3	8.1	8.1
Total	<u>26.4</u>	<u>22.5</u>	<u>34.0</u>	<u>28.9</u>
River Oaks				
Anprop	5.6	5.6	7.3	7.3
Iroquois Ridge - North				
Metro Bayshire	2.0	2.0	2.6	2.6
NHD	1.9		2.4	
Carma	1.3		1.7	
Franway	0.3		0.4	
Total	<u>5.5</u>	<u>2.0</u>	<u>7.1</u>	<u>2.6</u>
Oakmead				
Petis	0.8	0.8	1.0	1.0
Skytop	0.6	0.6	0.8	0.8
Oaksyn	0.6		0.8	
Total	<u>2.0</u>	<u>1.4</u>	<u>2.6</u>	<u>1.8</u>
Clearview				
Pinetree	3.0	3.0	3.9	3.9
Sheridan Nursery	1.3		1.6	
281990	0.9		1.1	
Total	<u>5.2</u>	<u>3.0</u>	<u>6.6</u>	<u>3.9</u>
Infill Front Enders				
Valtyne	0.8	0.8	1.0	1.0
Sextet	0.4		0.6	
Atrela	0.3		0.3	
Wimpey	0.7	0.7	0.9	0.9
Total	<u>2.2</u>	<u>1.5</u>	<u>2.8</u>	<u>1.9</u>
Grand Total:	<u>\$46.9</u>	<u>\$36.0</u>	<u>\$60.4</u>	<u>\$46.4</u>
Shortfall to be financed by Region		<u>\$10.9</u>		<u>\$14.0</u>
Errors due to rounding.				

A major conclusion to be drawn from the analysis presented in this report is that for development to proceed, a significant part of the initial financial burden must be borne by developers. However, this has the undesirable effect of placing a negative bias on growth in Oakville. To resolve this problem, two courses of action are proposed.

1. Formulate a front-ending scheme which minimizes Regional risk, but allows developers to proceed without 100% of community front-ending in place. (This alternative is discussed below); or
2. Explore the possibilities of obtaining financial assistance for the scheme, specifically by requesting special Provincial funding but to a lesser extent than funding previously requested.* (This alternative is discussed in the next section of this report.)

In the absence of an outside infusion of funding into the Master Servicing and Financing Scheme (i.e.: Provincial assistance), there are only a limited number of financing alternatives which can be considered. An effort has been made, therefore, to create a financing system which recognizes the need to protect the Region from additional potential risks under the scheme, while, at the same time, allows developers to proceed with the least possible amount of front-end financing. It is therefore proposed that, if Provincial assistance is not forthcoming, the front-ending responsibilities of developers in the new communities, i.e.: Glen Abbey, River Oaks, Oakmead, Iroquois Ridge North and Clearview, be as follows:

Before a developer can proceed, it will be necessary that securities be received by the Region sufficient to cover the gross (before subsidy) costs of project, assigned as the developers' responsibility and that securities will be posted on the basis of:

- (a) 100% of the community allocation for facilities used by all development within Urban Phase 1 (e.g.: sewer and water treatment facilities).
- (b) 100% of facilities necessary to allow the developer to proceed with the building of all units he holds within the community (referred to as "triggered projects").

Further details of this proposed front-ending alternative are given in the "Administrative Process" section of the report. Table 13 is an analysis of front-ending responsibilities by selected developers on the basis of full front-ending (100% of all projects assigned to the community), partial front-ending (only the pro-rata share of projects assigned to the community) and front-ending as suggested above (triggered basis).

*See Appendix 8.

TABLE 13

IMPACT ON DEVELOPERS OF FINANCING TRIGGERED PROJECTS

(\$ Million - 1983 \$)

<u>Community</u>	<u>Developer</u>	<u>Front-Ending Based on:</u>		
		<u>Full Community Basis*</u>	<u>Partial Community Basis*</u>	<u>Triggered Projects Basis</u>
Glen Abbey	Genstar	26.4	16.2	23.4
River Oaks	Anprop	6.4	5.6	9.5
Iroquois Ridge North	Metro Bayshire	5.5	2.0	4.6
Clearview	Pinetree	5.8	3.0	4.6
Oakmead	Skytop	<u>1.2</u>	<u>0.6</u>	<u>1.1</u>
		<u>\$45.3</u>	<u>\$27.4</u>	<u>\$43.2</u>

*Taken from Table 12. All calculations assume Option A is selected;
(i.e.: Region assumes financing for new commercial/industrial growth
related projects).

PROVINCIAL ASSISTANCE

It is a recommendation of this study that a request for Provincial assistance be prepared by Regional staff and support be sought from the Town of Oakville and interested developer groups. Specifically, it is proposed that funding be sought for the financing of the following facilities:

Table 14:

Estimated 1983 Dollars
Value (\$000's)

a) 5.5 MGD Stage 1 Construction of Mid-Halton Sewage Treatment Plant	\$16,696
b) 2.0 MGD Expansion to the South-east Sewage Treatment Plant	4,991

Total Assistance Requested: \$21,687

The body of the presentation to the Province will include the following information:

1. Precedent exists for the funding of treatment facilities in other Regional municipalities, including York and the western municipalities of Durham under the York-Durham system; the balance of Durham's municipalities, under the OHAP Scheme; and Peel and Hamilton-Wentworth under special arrangements with the MOE.
2. The 1978 Cabinet decision resulted in changes to the Region and Oakville Official Plans, making it mandatory that water and sewer facilities be sized for an ultimate capacity urban population of 200,000.
3. The ability of developers to finance their part of a full Master Servicing and Financing Scheme is limited to their financial resources and could result in a significant negative bias to development in Oakville.
4. The ability of the Region to finance its part of a full Master Servicing and Financing Scheme is limited by the impact this would have on water and sewer rates, and also upon the debt capacity limitations imposed on the municipality by the Ontario Municipal Board.

INDEXING

One of the greatest concerns expressed by the development industry in its review of the Currie Coopers and Lybrand Study was in not acknowledging the financial burden of a front-ending developer who provides a significant excess contribution to project costs, but is reimbursed from future contributions at an uninflated rate. The study group has made a great effort to propose a scheme which corrects this inequity by indexing the excess commitments by a front ending developer and by collecting funds to pay these commitments from indexed lot levies. A perfectly equitable system of compensation is not possible. The following example will illustrate the problem:

1. Developer A approaches the Region to proceed with his development and is informed that he must provide \$500,000 of funding in excess of that which he would have paid if he were not required to front-end (i.e. \$500,000 in excess of his water and sewer lot levies);
2. Developer A's payment provides facilities for his development, and to service Developer B who is not expected to join the scheme for five years.
3. Developer A must therefore bear the cost of financing \$500,000 in projects until Developer B participates.
4. If Developer A has an average cost of financing equal to 10% per annum, he would be fully compensated by receiving \$805,000 from Developer B, when he joins the scheme in five years.
5. However, if Developer B has the option in five years of building facilities for his own purposes, rather than "buying" the facilities provided by Developer A, his costs to build in five years would probably be less than \$805,000 since inflation would probably not be increasing at a 10% rate.

The problem outlined above is fundamental. It reflects the fact that the cost of financing will always be higher than the inflation rate (the difference being the real rate, or the inflation adjusted, return on money). If indexing is based upon the cost of money, the front-ender will be fully compensated but the future developer will pay for a facility at a cost in excess of its current construction cost. If indexing is based upon the inflation rate, the future developer pays only the current construction cost of his facilities but the front-ender receives no real return on his excess commitment. The study groups examined the alternative indexing possibilities and is recommending that any excess cash commitments by a front-ender be indexed according to changes in the cost index being used to adjust lot levies. The reasons for this recommendation are as follows:

1. This provides a large portion of the financing costs incurred by front-enders; and
2. It allows the front-ending scheme to remain self-supporting whereby outstanding financial commitments (expenditures) can be matched against lot levies (revenues) both of which are adjusted by the same factor.

To maintain the integrity of the scheme with this indexing proposal, it becomes essential that the lot levy rate truly reflect the cost of construction of new water and sewer projects. Therefore, it is recommended that the basis for the lot levy rate be examined in detail every two years, and that the index be used to adjust the rate in the interim. Further, it is recommended that the index be adjusted twice yearly rather than the present annual adjustment.

FINANCIAL SURCHARGE

According to present estimates, the net project costs of water and sewer facilities related to new residential development in Urban Phases 1 and 2 is \$96.3 million (1983 \$). Based on present day data, this exceeds, by approximately 10%, the anticipated water and sewer capital contributions which will be collected in Urban Phase 1 and 2 to fund these expenditures.

In the interest of ensuring a self-supporting front-ending scheme, it is suggested that, until such time as detailed requirements for new residential water and sewer project financing elsewhere in the Region are determined, a temporary 10% surcharge on the water and sewer component of the current Regional capital contribution levy be imposed on new residential development within the Town of Oakville.

INFILL DEVELOPMENT

In its response to the initial report, the Town of Oakville expressed a concern that front-ending was being requested from infill developers even though most facilities could accommodate their development. It should be noted that no negative comments were received from the developers themselves, and only developers who have lands large enough to develop 100 units will be required to front-end.

Unlike the rest of the developers in this scheme, the infill developers are not being asked to front-end the cost of common services of other infill developers. These developers are only asked to front-end their fair share of the cost of services directly related to their lands on a subdivision-by-subdivision basis.

P A R T I I I

IMPLEMENTATION AND ADMINISTRATIVE FRAMEWORK

C.IMPLEMENTATION AND ADMINISTRATIVE FRAMEWORK

ADMINISTRATIVE ORGANIZATION

In order to effectively manage the Master Servicing Scheme, an adequate structure should be established internally, with subsequent delineating of responsibilities.

The attached chart (Figure 10) shows a proposed organization containing the following key elements:

1. The Administrative Development Committee (A.D.C.) should be ultimately responsible for overseeing the implementation of the project. They should as part of the annual report to Committee and Council, prepare a separate report on the Master Servicing Scheme.

This report would comment on the following dynamic elements:

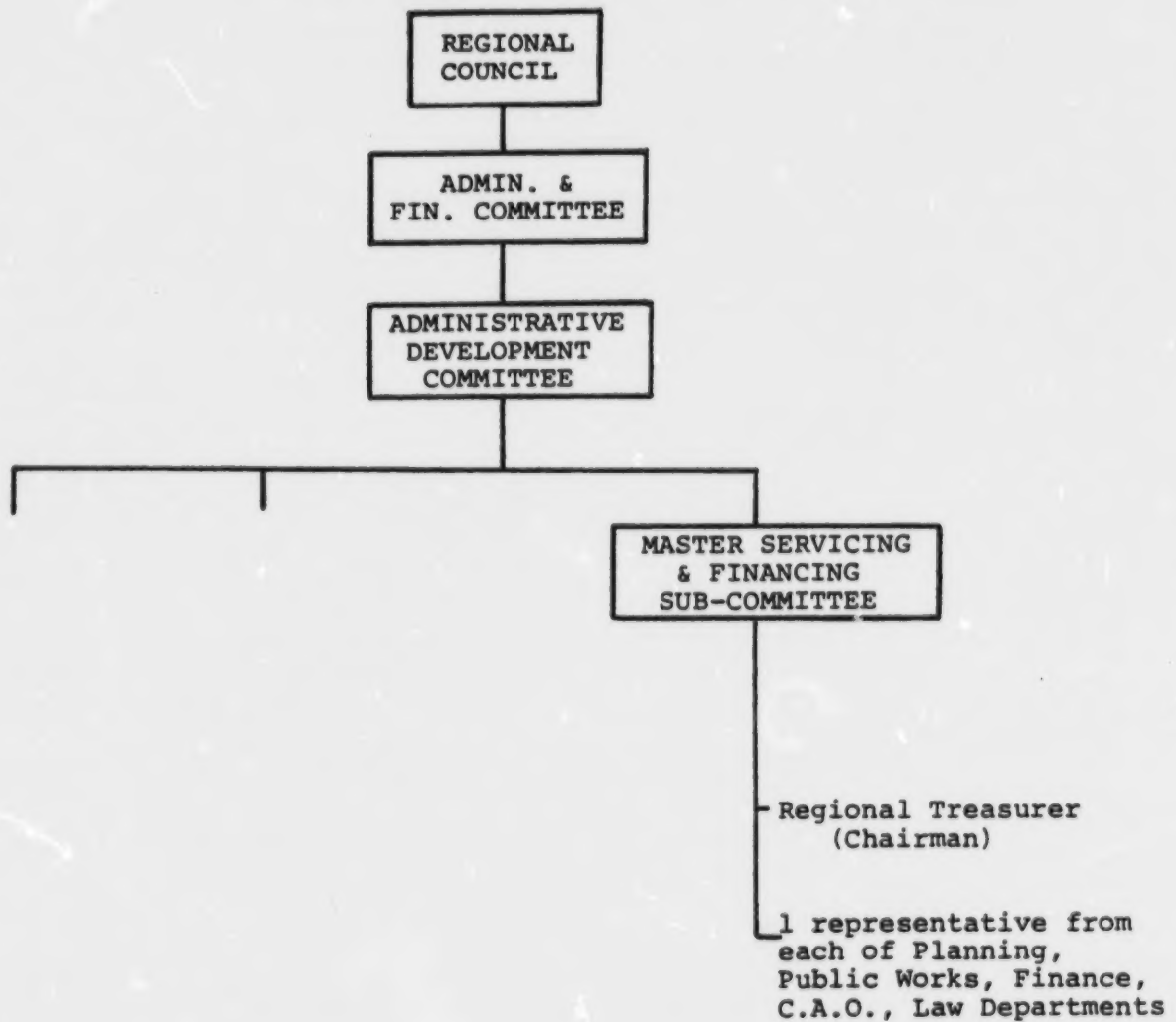
- (a) the status of Oakville development (with respect to the anticipated timing).
- (b) a comparison of actual revenues and expenditures to projected levels.
- (c) the level of risk the Region is exposed to (at that point in time and projected over the next 5 years).
- (d) the projected impact on Regional debt capacity and Sewer and Water Rates.
- (e) developers participation and compliance with the Scheme.

It is necessary that this report be prepared prior to the Capital Budget process. This will enable staff to incorporate all available information in the next Capital Budget and allow appropriate adjustments in the Regional Capital Program over the 5-year forecast period.

2. A Master Servicing and Financing Sub-Committee of the A.D.C. should be established. It is suggested that this Sub-Committee would be chaired by the Regional Treasurer and would have a representative from each of the Planning, Public Works, Finance, C.A.O. and Law Departments. The mandate of this group would be to effectively utilize corporate resources, to expedite the timely implementation of the Scheme, and ensure that the administrative process functions smoothly on a day-to-day basis.

Figure 10

MASTER SERVICING: ORGANIZATION STRUCTURE



Some of the specific functions of this group will include:

- (a) the re-negotiation of preliminary agreements.
- (b) negotiations with developers as they come to participate in the front-ending scheme.
- (c) the assignment of projects to developers.
- (d) ensuring the adequacy of the administrative model and refine as required.
- (e) the development and updating of detailed Regional Policies related to Master Servicing. For example policies must be prepared to cover:
 - (i) payments by front-ending developers - the timing, methods of payment or security and triggering devices for payment.
 - (ii) the application of the Scheme under different development scenarios including infill development, new developments, severances and rezoning etc.
 - (iii) the determinants of monetary flowback to developers.
- (f) ensuring the equitable treatment of all developers participating in the Scheme.
- (g) monitoring the Scheme to ensure that it is operating within the Council approved constraints and that the Corporation is not exposed to excessive levels of risk beyond those levels approved by Council.
- (h) determining if the need exists for the revision of the lot levy surcharge, to balance the Scheme.

A summary of the departmental responsibilities resulting from the Sub-Committee tasks, is shown in Figure 11.

MASTER SERVICING - RESPONSIBILITY MATRIX

Figure 11

ITEM	PUBLIC WORKS	FINANCE	PLANNING	LAW	C.A.O.
1. Input & Update to Computer model for: draft plan and registered plan numbers, unit mix, net developable acreage, building permit			X		
2. Co-ordinate Net Developable Acreage calculations and update.			X		
3. Input and updates to Computer model for: project numbers, cost breakdowns, project/developer assignments.	X				
4. Bi-Annual lot levy study.	X	X	X		
5. Co-ordinate system computerization.		X			
6. Input & Updates to Computer model for letter of credit information charges to and from developer, flowback to developer.		X	X		
7. Administer Letters of Credit.		X			
8. Review of Surcharge Requirements.	X	X	X		
9. Monitoring the development process and compliance with the Scheme.		X	X	X	
10. Review and/or update participation guidelines.		X	X		
11. Ensure adequacy of Admin. Fees and recoveries.		X			
12. Development File # System.			X		
13. Monitoring Regional Exposure.		X			X
14. Transfer/Recalculation from Preliminary to Final Agreements.	X	X		X	
15. Develop and expedite approval of all required Legislation.				X	X
16. Negotiate Provincial funding (Treatment Plants).		X			X
17. Annual Status Report to Committee.	X	X	X	X	X
18. Negotiating Agreements and Special Exemptions.	X	X	X	X	X
19. Development and updating of related policies.		X	X		

ADMINISTRATIVE COSTS

The impact of administrating the Master Servicing Scheme can be analyzed in terms of start-up costs and ongoing cost. These funds will be financed by the present Master Servicing administrative fee which is charged to all new development in the Oakville Urban Area. At present this fee is \$35 per unit. It is proposed that the fee be revised to include all administrative costs.

Start-Up Costs

The start-up costs consist of four major components: the initial study prepared by Currie, Coopers & Lybrand - \$62,000; a consultant will be required to undertake the detail calculation of net developable acreage for Urban Phase I & II - estimated at \$7,000; the development and computerization of the administrative model - estimated at \$28,000; and the development of a building permit monitoring system - estimated at \$11,000.

<u>Summary of start-up costs</u>	<u>Amount</u>
Initial study prepared in 1980	\$ 62,000
Study to determine Net Developable Acreage	7,000
Development of Administrative Computerized Model	28,000
Building Permit Monitoring System	<u>11,000</u>
Total start-up costs	<u>\$108,000</u>

On-going operating costs

Council will recall, that the position of Development Officer was approved in July, 1981 primarily to co-ordinate and administer the Master Servicing Scheme. While this position is responsible for all development matters in the Region, more than 50% of the time is spent on administrating the front-ending scheme.

In addition, resources will be required in the Planning Department for the ongoing monitoring of Building Permit System. It is suggested that a contract Planning Technician be hired for a period of six months per annum.

In Public Works, the full-time Supervisory position and a part-time Systems Technologist which had been recommended by Hickling-Johnston Report, November 6, 1981 and had also been included as a "G" form to the 1983 Budget is required in order to ensure an efficient and successful implementation and program operation. It is anticipated that these positions would be phased-in over the latter part of 1983 and over the course of 1984 as they are needed.

Therefore the ongoing operating costs can be summarized as follows:

<u>Operating Costs</u>	<u>Amount</u>
Development Officer (including stenographic support) (50%)	\$25,000
Contract Planning Technician (six months)	8,000
Public Works - Special Study & Research (50%)	<u>32,000</u>
Total Operating Costs	<u>\$65,000</u>

Based on both the start-up and operating costs, the Master Servicing administration fees should be established at the following level:

	<u>Amount</u>	<u>Total Units</u>	<u>Net Fee Per Unit</u>
Start-up costs	\$108,000	16,685	\$6.50
		<u>Annual Units</u>	
Ongoing operating costs	\$65,000	950	<u>68.50</u>
			<u>\$75.00</u>

Therefore it is recommended the Master Servicing administrative fee be revised to \$75.00 per unit. Since the total cost of the Development Officer was included in the Finance administration fee, it is also proposed that the fee be reduced from \$35 per unit to \$20.00 per unit. The establishment of a fee which will recover all costs relating to this Scheme would be in keeping with existing policy of Council that new development will not impose any undue burden on the existing ratepayers. The net result of these revisions is to increase the combined administrative fees in the Oakville Urban Area from \$65.00 to \$95.00 per unit and to reduce the administrative fee in the other Area Municipalities from \$35.00 to \$20.00 per unit.

In addition, it should also be recognized that there may be some legal costs associated with court challenges or enforcement of the Scheme. If incurred, these costs would be funded from the corporate contingency.

ADMINISTRATIVE CONTROL

In order to effectively control, monitor and implement the Scheme, we propose a system with three distinct modules. The envisaged system would be computerized and, should be integrated with the Financial Information System and the Sewer and Water Rate module. It would present the current status of the Scheme and would also allow simulation and sensitivity analysis.

The responsibility for input to the first module would rest in the Planning & Development Department. It would keep track of the following information by each developer in each community:

- unit mix and unit yields in draft plans and registered plans.
- net developable acreage.

This module will allow tracking estimated and actual revenue generated by the sewer and water portion of the lot levy, from the planning stage through to "Registered Plan" stage. Furthermore, the impact of changes in revenue, due to changes in the housing mix from downzoning and rezoning can be clearly identified. A further expansion of this module will allow the monitoring of issued building permits against registered plans. The net developable acreage figures would be used in other parts of the system to calculate the developer's and community's proportionate share for purposes of front-end financing.

The second module would be the responsibility of Public Works to maintain. Essentially, it would monitor the status of all projects associated with Urban Phase I and would keep track of:

- estimated start date.
- the most current estimated cost (or tendered cost when available).
- cost breakdown (Regional vs developer responsibility).
- project assignment (to community and developer).
- MOE references (for subsidy purposes).

It is suggested that subsequent reports would show listings of projects by community or developer or start date.

The third module will incorporate information from the first two and would show the status of each developer in each community. For example, it would:

- show the developer's financial commitment at any point in time.
- the securities (Letter of Credit) the Region holds.
- activate the process to flowback funds when applicable.

This would be the responsibility of the Finance Department to maintain. It is envisaged that other reports would be generated to show a calculation of Regional exposure both at that given point in time and projected (over five years).

THE PROCESS

Assume that the first developer in a community has reached the Draft Approval Plan stage by obtaining the required approvals. His involvement to this point with Regional staff would primarily have been with the Planning Department. It is envisaged that the process would proceed as follows:

1. Planning Department inputs unit mix information to computer program. The system generates an estimate of revenue from the sewer and water portion of the lot levy. Finance Department determines and inputs to the program the financial commitment by the developer (the front-end financing). The value of the first developer's front-end financing is equal to:
 - (a) the community share (based on net developable acreage) of common projects, plus
 - (b) those other projects triggered by that developer's total holdings in the community.
2. Public Works identifies and assigns all necessary projects for the developer (including the community share of common projects).
3. After approval of Draft Plan, developer meets with the A.D.C. Master Servicing Sub-Committee and negotiates overall development agreement(s).
4. The Law Department then drafts the development agreement(s) and the developer then executes them.

5. Front-end financing and any related securities are posted with the Region, the sewer and water portion of the Regional lot levy (including any surcharge) is paid.
6. The agreement(s) are submitted to Council for approval and are then signed by the Region.
7. The developer's front-end financing and securities are adjusted for changes in the cost of assigned projects, resulting from tendering or a review of engineering estimates. This indexing will take place semi-annually.
8. As construction on the projects proceed, the developer's posted security will be drawn down to pay the cost of the invoices.
9. When the second developer in that community comes on stream, the level of securities required by the Region, in order for the community to proceed will be reviewed. Any community projects triggered by the second developer, will be added to the total value of securities required for the community. The resulting amount will be divided between developers 1 and 2, based on the estimated ultimate units of each developer in that community. Consequently, developer 1 will have the level of his securities adjusted, and developer 2 will post securities to correspond to the preceding calculation.
10. Each time a subsequent developer in that community enters the scheme, an adjustment will be made (as above) to all developers' front-end financing requirement.
11. The excess cash commitment of all developers (cash payments made in excess of the developer's ultimate responsibility) in the community will be adjusted when a new front-end developer proceeds. This also will be shared on the basis of the units of each front-end in the community.

Semi-annually the excess cash commitment will be indexed, at the same rate as the increase in the lot levy.
12. Bi-annually, a complete lot levy review will be done and charges updated. (This will include a special surcharge if required).

13. Any receipt of subsidies will be flowed back to developers, (in the community with which the project was associated) on the basis of ultimate units, as above. If the subsidy is related to a common project, the funds will be withheld until all Regional risk has been eliminated (i.e. until at least 1 developer from each benefitting community has entered the scheme).
14. Non-front-ending developers will also be required to pay the sewer and water portion of their lot levies at the time of signing Subdivision Agreements (plus any special surcharge). These funds will be applied to the costs of projects related to infill developers. Any excess will be kept in a reserve, and semi-annually will be used to reduce the excess cash commitment of all front-enders, on a pro rata basis.
15. Eventually, when building permits are taken out by a developer, the balance of the lot levies are paid.
16. Ultimately, each front-ending developer's excess cash commitment will be completely repaid. The timing however will be dictated by many factors but primarily will be dependent on subsequent developers desire to market homes and therefore enter the Scheme.

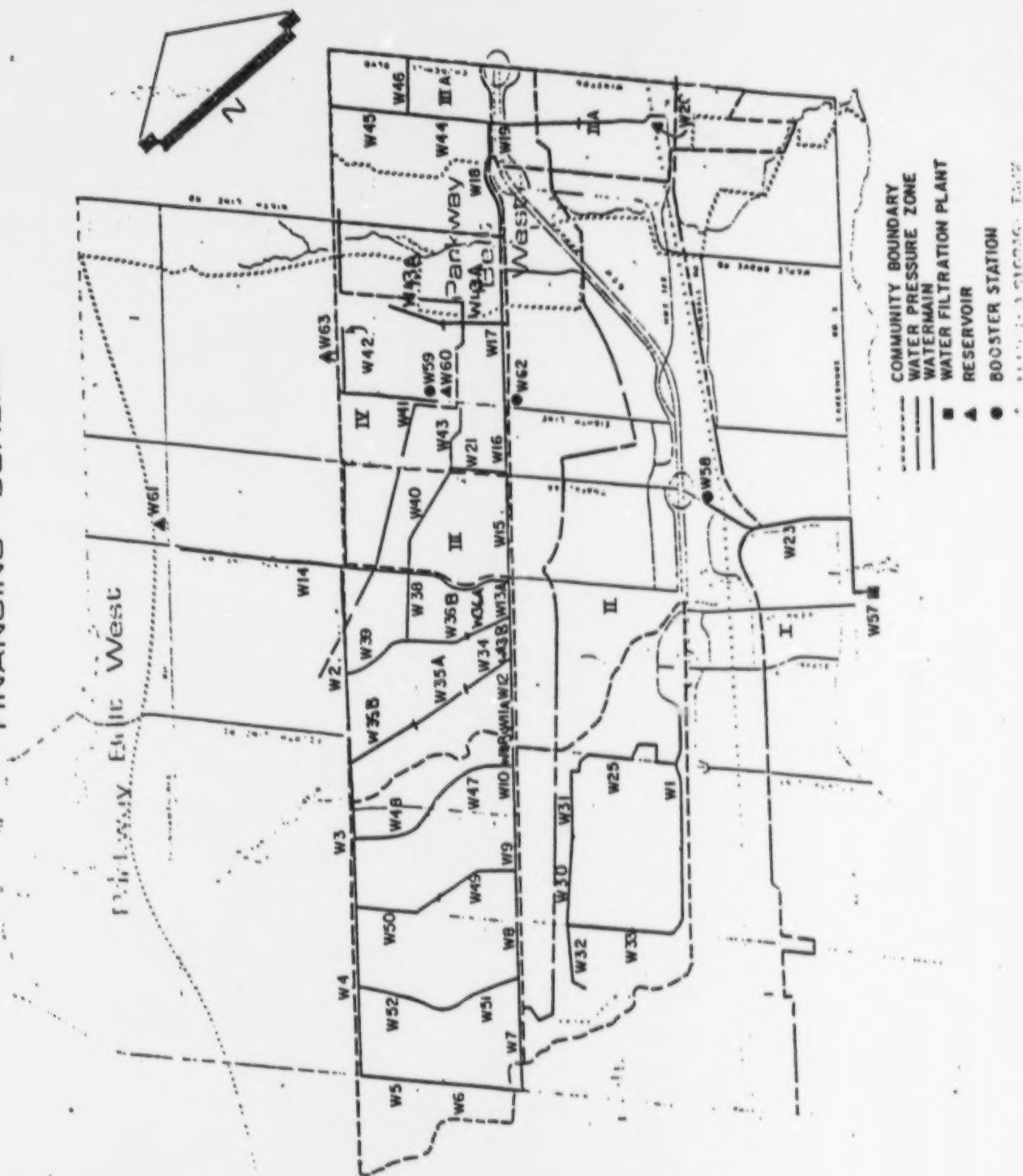
APPENDICIES

Appendix 1

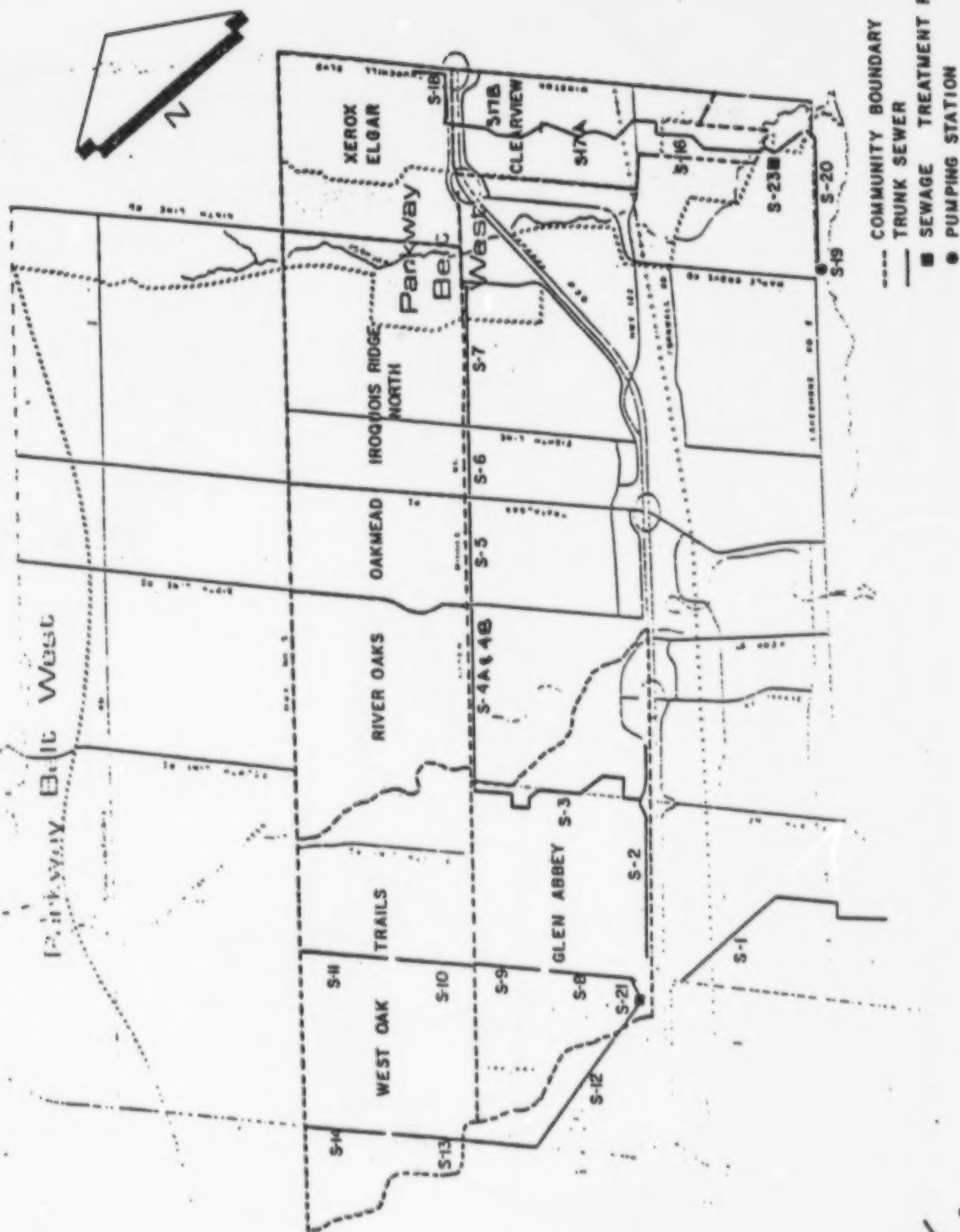
Description of Projects Required for
Master Servicing and Financing Scheme

Note: (Refer to Appendix 2 for cost and timing of construction).

WATER PROJECTS INCLUDED IN MASTER SERVICING AND FINANCING SCHEME



SEWER PROJECTS INCLUDED IN MASTER SERVICING AND FINANCING SCHEME



Trunk Watermains

W1	750 mm N. Service Rd. - Dorval to 3rd Line
W2	750 mm Hwy. 5 - 6th Line to Dorval Drive Extension
W3	600 mm & 750 mm Hwy. 5 - 4th Line to 3rd Line
W4	400 mm Hwy. 5 - 3rd Line to Hwy 25
W5	400 mm Hwy. 25 - Hwy 5 to 1000 m north of Upper Middle Road
W6	400 mm Hwy. 25 - 1000 m north of Upper Middle Road to Upper Middle Road
W7	400 mm Upper Middle Rd. - Hwy. 25 to 820 m west of 3rd Line
W8	600 mm Upper Middle Rd. - 820 m west of 3rd Line to 3rd Line
W9	600 mm Upper Middle Road - 3rd Line to 4th Line
W10	600 mm Upper Middle Rd - 4th Line to Dorval Drive
W11A	900 mm Upper Middle Rd. - West Bank of Creek to west side of 16 Mile Creek
W11B	750 mm west of Bank to Dorval Drive
W12	900 mm Upper Middle Rd. - crossing to 16 Mile Creek
W13A	750 mm Upper Middle Rd. - Oxford Ave. to 6th Line
W13B	750 mm Upper Middle Road - Oxford Ave. to - 16 Mile Creek
W14	750 mm 6th Line - Upper Middle Road to new reservoir (north of Hwy. 5)
W15	750 mm Upper Middle Road - 6th Line to Trafalgar Road
W16	750 mm Upper Middle Rd. - Trafalgar Rd. to 8th Line Booster Station
W17	750 mm Upper Middle Rd. - 8th Line to Parkway Belt

W18	600 mm Upper Middle Rd. - Parkway Belt to East of Clearview Drive
W19	400 mm east of Clearview Dr. - N. Service Rd. through Pinetree lands to Sheridan Nurseries Lands
W20	400 mm through Sheridan Nurseries lands from North limit south to Beryl Road
W21	400 mm Trafalgar Rd. - Upper Middle Rd. to Street II
W23	900 mm from Water Filtration Plant to Davis Rd. Booster Station

Local Trunk Watermains

W25	400 mm 4th Line - Q.E.W. to Dorval Drive
W30	400 mm Street G5
W31	400 mm Street G6
W32	400 mm Street G7
W33	600 mm 3rd Line - Q.E.W. to 300 m south of Upper Middle Rd.
W34	400 mm Street R1 - Upper Middle Road to north Boundary Phase 1A
W35A	400 mm Street R1 - North boundary Phase 1A to street R3
W35B	400 mm Street R1 from R3 to Hwy. 5
W36A	400 mm Street R2, Part 1
W36B	400 mm Street R2, Part 2
W38	400 mm Street R4
W39	400 mm Street R5

W40	400 mm Street 01
W41	400 mm 8th Line - 8th Line Booster Station to Hwy. 5
W42	400 mm Hwy. 5 - 8th Line to 1040 m easterly
W43A	400 mm Grand Blvd. from Upper Middle Road northerly, Part I
W43B	400 mm Grand Blvd. from Upper Middle Road northerly, Part II
W44	500 mm Street X1
W45	500 mm Street X2
W46	400 mm Street X3
W47	400 mm Street W01
W48	400 mm Street W02
W49	400 mm Street W03
W50	400 mm Street W04
W51	400 mm Street W05
W52	400 mm Street W06

Water Filtration Plant Expansion

W57a	Mods. to existing filters, backwash pump, chlorine pump, mods. to reservoir piping and raw water sampling equipment
W57b-1	Design of centralized control
W57b-2	Instrumentation for new centralized control capability, Filter 1-8
W57c	Mods. to filters 5-8
W57d	Stage 1 - Sedimentation Tanks
W57e	Extension of 2150 mm Intake
W57f	Chemical System including building
W57g	Waste water treatment to 24 MGD
W57h	High lift pumping station, pump replacements
W57j	Administration Building Modifications
W57k	New low lift screens
W57m	Two new flocculation tanks
W57n	New Filtration Building and Expansion to 218ml/d
W57o	Additional pumps in high lift pumping station plus building addition
W57q	Installation of centralized supervisory control system
W57r	Stage 2 - Sedimentation Tanks Settling Tubes
W57s	Hydro-Sub-Station
W57t	Hydro Sub-Station Extension
W57u	Low Lift System Improvement

Booster Stations and Reservoirs

W58a	Davis Rd. Booster Station - Stage I - one new 58,000 m ³ /d pump
W58b	Davis Rd. Booster Station - Stage II, Standby Power
W58c	Davis Rd. Booster Station - Stage III - one new 58,000 m ³ /d pump including new building extensions
W59	New Zone IV Booster Station at 8th Line Reservoir
W60a	4000 m ³ addition at 8th Line Reservoir
W60b	4000 m ³ addition at 8th Line Reservoir
W61a	Zone III Reservoir - Land Acquisition
W61b	Zone III Reservoir - Stage I (16,000 m ³)
W61c	Zone III Reservoir - Stage II Land Acquisition (16,000 m ³)
W62a	8th Line Booster Station - Stage I - two new 25,000 m ³ /d pumps
W62b	8th Line Booster Station - Stage II - one new 25,000 m ³ /d pump
W62c	8th Line Booster Station - Stage III - one new 25,000 m ³ /d pump
W63	Elevated storage tank for pressure Zone IV

Trunk Sewers

S1	1350 mm SW Trunk - Q.E.W. to SW Treatment Plant
S2	1350 - 450 mm West Trunk - 3rd Line to Genstar/Birchtree boundary
S3	1050 m - 4th Line - North Service Road to north limit of Glen Abbey Phase I
S4A	900 mm Upper Middle Road - from S3 across 16 Mile Creek
S4B	750 mm Upper Middle Road - from 16 Mile Creek to 6th Line
S5	750 and 675 mm Upper Middle Road 6th Line to Trafalgar Road
S6	600 and 525 mm Upper Middle Road - Trafalgar Road to 8th Line
S7	525 and 450 mm Upper Middle Road - 8th Line to 800 m easterly
S8	1050 mm 3rd Line - N. Service Road to 1220 m northerly
S9	1050 mm 3rd Line - 1220 m south of Upper Middle Road to Upper Middle Road
S10	1050 mm 3rd Line - Upper Middle Road to 1160 m northerly
S11	1050 mm - 3rd Line - 1160 m north of UMR to Hwy. 5
S12	600 mm North 14 Mile Creek Trunk - Mid-Halton STP to Hwy. 5
S13	600 mm Hwy. 25 - 500 m south of UMR to 1370 m north
S14	450 mm Hwy. 25 - Hwy. 5 to 760 m south
S15	Perm. PS in W. Bronte on Lakeshore Rd.
S16	825 - 750 mm trunk from Southeast Treatment Plant to Beryl Rd.
S17A	600 - 525 mm trunk from Beryl Rd. to Center of Clearview Community

S17B	525 mm trunk from Center of Clearview Community to N. Service Rd.
S18	525 mm N. Service Rd. Trunk - S. of QEW to Winston Churchill
S20	500 mm Forcemain - 9th Line PS to Southeast Treatment Plant

Sewage Treatment Plants and Pumping Stations

S19	9th Line PS
	Mid-Halton Sewage Treatment Plant
S21a	- Land
S21b	- Preliminary Engineering
S21c	- 5.5 MGD Stage 1
S21d	- 5.5 MGD Stage 2
S21e	- 2.5 MGD Stage 3
S21f	- Environmental Assessment
S21g	- Inlet trunk sewer, outfall sewer and pump station plus property
S22	Gore & Sterrie Engineering Report
S23	2 MGD Expansion at Southeast



Appendix 2

Net Project Costs and Distribution of Project Financing Responsibilities

(Note: Refer to Appendix 1 for project details)

The following tables detail the projects required to service Urban Phase 1 and 2 to provide for growth in Oakville. Staff of the Region's Public Works Department have undertaken an analysis of the ultimate use of each project and have distributed the cost of each project accordingly. In the case of those projects assumed to be the Region's responsibility, interim financing charges equal to 9% of the net debenturing requirements have been included. The calculations reflect the situation if Master Servicing Option A is implemented.

PROJECT COST AND FINANCING RESPONSIBILITY

(\$ 000 - 1985 Net of Subsidies)

Year of Approval/ Project Number	<u>Developer Responsibility</u>		<u>Regional Responsibility</u>				Total Net Project Cost
	<u>Internal</u>	<u>New Residential</u>	<u>New C/I</u>	<u>Existing C/I</u>	<u>Existing Residential</u>	<u>Finance Charges</u>	
1980-82 W 1	0	304.0	296.3	160.7	0	41.1	802.1
11A	0	132.2	0	0	1.0	0.1	133.3
12	0	579.0	0	0	4.1	0.4	583.5
25	177.5	0	0	0	0	0	177.5
57A	0	595.9	197.9	91.8	164.7	40.9	1091.2
57B1	0	64.0	21.0	0	0	1.9	86.9
57B2	0	117.2	38.7	0	0	3.5	159.4
57C	0	304.0	101.7	0	0	9.2	414.9
57E	0	555.3	173.9	119.6	239.2	48.0	1136.0
S 1	0	1351.4	132.6	0	0	11.9	1495.9
2	118.8	464.3	68.9	0	0	6.2	658.2
3	264.2	169.3	21.1	0	0	1.9	456.5
	0	1540.8	116.0	0	0	10.4	1667.2
46	0	408.5	30.5	0	0	2.7	441.7
16	47.5	205.7	566.4	85.4	0	58.7	963.7
21A	0	542.3	53.2	0	0	4.8	600.3
21B	0	36.0	3.1	0	0	0.3	39.4
22	0	20.7	2.3	0	0	0.2	23.2
Total	608.0	7,390.6	1,823.6	457.5	409.0	242.2	10,930.9
	=====	=====	=====	=====	=====	=====	=====
1983 W57Q	0	281.9	65.5	88.8	176.5	29.8	642.5
62A	0	139.1	77.8	0	0	7.0	223.9
S19	0	120.9	134.5	0	0	12.1	267.5
21F	0	172.1	16.7	0	0	1.5	190.3
Total	0	714.0	294.5	88.8	176.5	50.4	1,324.2
	=====	=====	=====	=====	=====	=====	=====

PROJECT COST AND FINANCING RESPONSIBILITY

(\$ 000 - 1983 Net of Subsidies)

Year of Approval/ Project Number	Developer Responsibility		Regional Responsibility				Total Net Project Cost
	Internal	New Residential	New C/I	Existing C/I	Existing Residential	Finance Charges	
1984 W 13A	0	251.9	6.7	0	2.2	0.8	261.6
15		336.3	154.3	16.2	26.1	17.7	550.6
17	152.5	73.3	291.7	36.0	8.3	30.2	592.0
18	0	109.0	708.4	90.9	0	72.0	980.3
19	0	121.1	220.4	110.2	0	29.7	481.4
36A	0	316.4	0	0	0	0.	316.4
43A	122.1	53.3	0	0	0	0	175.4
57D	0	628.3	146.5	197.6	395.2	66.6	1,434.2
57F	0	217.6	50.0	67.7	136.5	22.9	494.7
57G	0	367.5	86.3	115.9	231.8	39.1	840.6
57J	0	325.2	75.5	102.1	204.2	34.4	741.4
57S	0	174.0	40.0	54.2	109.2	18.3	395.7
57U	0	99.9	22.2	22.2	44.4	8.0	196.7
61A	0	106.4	51.9	0	58.5	10.0	226.8
S 5	49.2	517.5	58.1	0	0	5.2	630.0
6	0	343.1	22.3	0	0	2.0	367.4
7	0	238.2	38.2	0	0	3.4	279.8
17A	183.2	99.9	257.5	0	0	23.2	563.8
<u>Total</u>	<u>507.0</u>	<u>4,378.9</u>	<u>2,230.0</u>	<u>813.0</u>	<u>1,216.4</u>	<u>383.5</u>	<u>9,528.8</u>
	=====	=====	=====	=====	=====	=====	=====
1985 W 13B	0	251.9	6.7	0	2.2	0.8	261.6
14	0	1,206.7	555.1	57.2	96.3	63.8	1,979.1
57H	0	217.6	50.3	34.0	75.5	14.4	391.8
60A	0	324.1	235.3	0	0	21.2	500.6
61B	0	1,585.5	584.6	0	0	52.6	2,222.7
S 17B	183.2	99.9	257.5	0	0	23.2	563.8
20	0	305.8	344.8	0	0	31.0	681.6
<u>Total</u>	<u>183.2</u>	<u>3,991.5</u>	<u>2,034.3</u>	<u>91.2</u>	<u>174.0</u>	<u>207.0</u>	<u>6,681.2</u>
	=====	=====	=====	=====	=====	=====	=====
1986 W 20	58.8	0	72.2	104.6	0	15.9	251.5
34	155.8	68.9	0	0	0	0	224.7
36B	0	104.3	0	0	0	0	104.3
44	297.1	0	85.8	0	0	7.7	390.6
45	338.4	0	44.5	0	0	4.0	386.9
46	218.1	0	30.5	0	0	2.7	251.3
S 18	210.5	0	272.3	0	0	24.5	507.3
21C	0	15,192.9	1,503.3	0	0	135.3	16,831.5
<u>Total</u>	<u>1,278.7</u>	<u>15,366.1</u>	<u>2,008.6</u>	<u>104.6</u>	<u>0</u>	<u>190.1</u>	<u>18,948.1</u>
	=====	=====	=====	=====	=====	=====	=====

PROJECT COST AND FINANCING RESPONSIBILITY

(\$ 000 - 1983 Net of Subsidies)

Year of Approval/ Project Number	<u>Developer Responsibility</u>		<u>Regional Responsibility</u>				Total Net Project Cost
	<u>Internal</u>	<u>New. Residential</u>	<u>New C/I</u>	<u>Existing C/I</u>	<u>Existing Residential</u>	<u>Finance Charges</u>	
1987 W 30	187.9	94.7	0	0	0	0	282.6
31	175.0	87.7	0	0	0	0	262.7
33	0	499.5	0	0	0	0	499.5
S 8	0	959.7	39.6	0	0	3.6	1,002.9
9	0	712.1	38.2	0	0	3.4	753.7
23	<u>0</u>	<u>1,098.0</u>	<u>2,745.0</u>	<u>1,148.0</u>	<u>0</u>	<u>350.4</u>	<u>5,341.4</u>
Total	362.9	3,451.7	2,822.8	1,148.0	0	357.4	8,142.8
	=====	=====	=====	=====	=====	=====	=====
1988 W 118	0	133.0	0	0	1.1	0.1	134.2
58A	0	185.6	58.7	0	0	5.3	249.6
58B	<u>0</u>	<u>179.5</u>	<u>54.5</u>	<u>0</u>	<u>0</u>	<u>4.9</u>	<u>238.9</u>
Total	0	498.1	113.2	0	1.1	10.3	622.7
	=====	=====	=====	=====	=====	=====	=====
1989 W 10	0	252.5	0	0	2.1	0.2	254.8
32	<u>234.4</u>	<u>118.0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>352.4</u>
Total	234.4	370.5	0	0	2.1	0.2	607.2
	=====	=====	=====	=====	=====	=====	=====

PROJECT COST AND FINANCING RESPONSIBILITY
(\$ 000 - 1983 Net of Subsidies)

Year of Approval/ Project Number 1990 and Beyond	Developer Responsibility		Regional Responsibility				Total Net Project Cost
	Internal	New Residential	New C/I	Existing C/I	Existing Residential	Finance Charges	
W 2	0	947.9	83.0	10.0	0	8.4	1,049.3
3	0	790.3	98.0	9.5	0	9.7	907.5
4	0	541.7	48.3	0	11.5	5.3	606.8
5	0	274.2	0	0	14.1	1.3	289.6
6	0	280.3	0	0	12.5	1.1	293.9
7	0	344.4	0	0	6.8	0.6	351.8
8	0	502.8	0	8.9	0	0.8	512.5
9	0	311.8	0	0	3.3	0.3	315.4
16	0	222.8	102.3	10.7	17.1	11.7	364.6
21	0	169.8	53.2	0	0	4.8	227.8
23	0	1,504.1	556.6	0	0	90.1	2,110.8
35A	155.8	68.9	0	0	0	0	224.7
35B	155.8	68.9	0	0	0	0	224.7
38	0	308.9	0	0	0	0	308.9
39	129.3	64.0	0	0	0	0	193.3
40	0	380.7	0	0	0	0	380.7
41	0	193.3	0	0	0	0	193.3
42	174.7	87.9	0	0	0	0	262.6
43B	182.7	80.4	0	0	0	0	263.1
47	0	293.0	0	0	0	0	293.0
48	0	323.0	0	0	0	0	323.0
49	195.5	98.3	0	0	0	0	293.8
50	215.9	107.3	0	0	0	0	323.2
51	0	293.0	0	0	0	0	293.0
52	0	323.0	0	0	0	0	323.0
57K	0	114.3	25.5	0	0	2.3	142.1
57M	0	1,605.1	377.4	0	0	34.0	2,016.5
57N	0	1,375.3	323.0	0	0	29.1	1,727.4
57O	0	610.5	143.2	0	0	12.9	766.6
57R	0	369.6	85.5	116.6	230.9	39.0	841.6
57T	0	43.3	11.1	13.3	27.8	4.7	100.2
58C	0	333.8	89.9	0	0	8.1	431.8
59	0	556.1	0	0	0	0	556.1
60B	0	324.1	235.3	0	0	21.2	580.6
61C	0	1,909.6	260.4	0	0	23.4	2,193.4
62B	0	119.0	44.2	0	0	4.0	167.2
62C	0	109.1	10.8	0	0	1.0	120.9
63	0	542.8	0	0	0	0	542.8
S10	0	894.2	57.3	0	0	5.2	956.7
11	0	668.3	82.3	0	25.0	9.7	785.3
12	0	791.3	7.3	0	25.0	3.0	826.6
13	0	809.2	8.9	0	0	0.8	818.9
14	0	168.8	0	0	160.0	14.4	343.2
21D	0	7,598.4	750.1	0	0	67.5	8,416.0
21E	0	5,576.1	551.4	0	0	49.6	6,177.1
Total:	1,209.7	33,099.6	4,005.0	169.0	534.0	424.0	39,441.3
	=====	=====	=====	=====	=====	=====	=====
GRAND TOTAL							
PHASE 1 AND 2	4,383.9	69,261.0	15,332.0	2,872.1	2,513.1	1,865.1	96,227.2
	=====	=====	=====	=====	=====	=====	=====

Appendix 3

Ontario Municipal Board Debt Capacity Calculations

ONTARIO MUNICIPAL BOARD DEBT CAPACITY CALCULATIONS

The authority of municipalities in Ontario to issue debentures is regulated by the Ontario Municipal Board (OMB). As part of its decision to grant this authority, the OMB undertakes a calculation to determine whether the existing level of debt of the municipality, plus any new debt being submitted for authorization, are within the financial capability of the municipality.

The OMB debt calculation used in approving the issuance of municipal debt is based upon the principle that the payments due from long-term contractual obligations of the municipality (namely, debentures and long-term leases) shall not exceed 20% of the total expenditures of the municipality for its own purposes.

In certain circumstances, at the Board's discretion, the ratio may be allowed to exceed 20% and range as high as 25%. This is rare, however, and usually only in areas of high and rapid growth. Only in the most extreme circumstances would the Board approve debenturing which would result in the ratio exceeding 25%, and then the Board would consider this only as a short-term occurrence.

When the OMB undertakes its calculation, it has information relating to the debt already issued by the municipality; namely, it has the actual charge which the municipality must pay its debenture-holders. However, it must make the assumptions about the level of debt charges which will result from the ultimate debenturing of projects already approved by the Board but not yet debentured (called unfunded debt), and about the level of debt charges from granting additional borrowing authority to the municipality (called the OMB quota).

To be able to complete its calculation, the OMB assumes a debenture rate for these two groups of obligations. It is assumed that the municipality would debenture these obligations for a twenty-year term at the rate prevailing on Ontario Municipal Board Improvement debentures at January 1 of the year in which the calculation is being undertaken. Therefore, the rate assumed by the Board will have a crucial impact on the level of debt used in the calculation. In simple terms, the higher the assumed interest rate, the higher the level of assumed debt charges and the higher the debt ratio.

In its calculations undertaken to approve the Region's 1982 debenture quota (that is, leases and net debenture requirements approved as part of the 1982 Capital Budget process), the assumed interest rate (known as the capitalization rate) was 17 1/2%. The Board has indicated that in undertaking its calculations to approve the 1983 quota, it will use a capitalization factor of 14%.

In all of the calculations used in this report, the present capitalization rate of 14% is assumed throughout the forecast period (1983-87). It must be emphasized that the Region's debt capacity calculations are extremely sensitive to changes in this capitalization ratio. Therefore, if the OMB uses a factor in excess of 14% in the years 1984-87, there will be a deterioration in the position of ratio (i.e.: the ratio will increase) while if the factor falls below 14%, the Region's debt capacity ratio will improve.

The following is a set of three tables which detail the calculations undertaken to determine the OMB ratio anticipated to occur if Cases 1, 3 or 4 are adopted. Further technical details follow the set of tables.

O.M.B. DEBT CALCULATION.-- NO GROWTH (1983 CAPITAL BUDGET)
146 CAPITALIZATION

(\$000's)

	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
Revenue Fund Expenditure (Prev. Yr. FIR)	69,926	81,493	88,257	95,519	102,215
20% of Revenue Fund Expenditure	<u>13,985</u>	<u>16,299</u>	<u>17,651</u>	<u>19,104</u>	<u>20,443</u>
Less: Debt Charges (Previous Yr. FIR)	10,024	11,565	13,248	14,166	14,809
Balance	<u>3,961</u>	<u>4,734</u>	<u>4,403</u>	<u>4,938</u>	<u>5,634</u>
Capitalization of Balance	<u>26,235</u>	<u>31,351</u>	<u>29,164</u>	<u>32,704</u>	<u>37,315</u>
Less: Leases (1981 + 6% compound)	4,440	4,707	4,989	5,289	5,606
Applications not approved	0	0	0	0	0
Unfunded (Previous Year-end)	15,186	7,093	1,882	1,991	4,291
Balance	<u>6,609</u>	<u>19,551</u>	<u>22,293</u>	<u>25,424</u>	<u>27,418</u>
Less: Present Year Quota	3,393	1,882	1,991	4,291	8,746
Surplus Quota Available	<u>3,216</u>	<u>17,669</u>	<u>20,302</u>	<u>21,133</u>	<u>18,672</u>

Debt Ratio

19.3 16.7 16.5 16.7 17.2

Note: Errors due to rounding.

O.M.B. DEBT CHARGES - MASTER SERVICING AND FINANCING - OPTION A
14 CAPITALIZATION

(\$000's)	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
Revenue Fund Expenditure (Prev. Yr. FIR)	69,926	81,493	88,527	96,611	104,147
20% of Revenue Fund Expenditure	<u>13,985</u>	<u>16,299</u>	<u>17,705</u>	<u>19,322</u>	<u>20,830</u>
Less: Debt Charges (Previous Yr. FIR)	10,024	11,565	13,518	15,258	16,742
Balance	<u>3,961</u>	<u>4,734</u>	<u>4,185</u>	<u>4,065</u>	<u>4,088</u>
Capitalization of Balance	26,236	31,351	27,732	26,920	27,074
Less: Leases (1981 + 6% compound)	4,440	4,707	4,989	5,289	5,606
Applications not approved	0	0	0	0	0
Unfunded (Previous Year-end)	15,186	11,251	7,795	4,941	7,165
Balance	<u>6,609</u>	<u>15,393</u>	<u>14,948</u>	<u>16,690</u>	<u>14,303</u>
Less: Present Year Quota	7,552	7,795	4,941	7,165	14,811
Surplus Quota Available	<u>(943)</u>	<u>7,598</u>	<u>10,006</u>	<u>9,524</u>	<u>(509)</u>

Debt Ratio	20.2	18.6	18.3	18.5	20.1
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*Option A - Assumes that the Region will debenture the cost of new Commercial/Industrial growth.

Option B - Assumes that Developers will front-end the cost of new Commercial/Industrial growth.

Note: Errors due to rounding.

O.M.B. DEBT CHARGES - MASTER SERVICING AND FINANCING - OPTION B
14% CAPITALIZATION

(\$000's)	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
Revenue Fund Expenditure (Prev. Yr. FIR)	69,926	81,493	88,567	96,391	102,707
20% of Revenue Fund Expenditure	<u>13,985</u>	<u>16,299</u>	<u>17,713</u>	<u>19,278</u>	<u>20,741</u>
Less: Debt Charges (Previous Yr. FIR)	10,024	11,565	13,325	14,517	15,455
Balance	<u>3,961</u>	<u>4,734</u>	<u>4,388</u>	<u>4,761</u>	<u>5,286</u>
Capitalization of Balance	<u>26,235</u>	<u>31,351</u>	<u>29,065</u>	<u>31,536</u>	<u>35,012</u>
Less: Leases (1981 + 6% compound)	4,440	4,707	4,989	5,289	5,606
Applications not approved	0	0	0	0	0
Unfunded (Previous Year-end)	15,186	8,276	4,292	2,331	4,433
Balance	<u>6,609</u>	<u>18,367</u>	<u>19,784</u>	<u>23,916</u>	<u>24,973</u>
Less: Present Year Quota	4,577	4,292	2,331	4,433	10,401
Surplus Quota Available	<u>2,033</u>	<u>14,076</u>	<u>17,453</u>	<u>19,483</u>	<u>14,572</u>
Debt Ratio	19.6	17.4	17.0	16.9	17.9

*Option A - Assumes that the Region will debenture the cost of new Commercial/Industrial growth.

Option B - Assumes that Developers will front-end the cost of new Commercial/Industrial growth.

Note: Differences due to rounding.

NOTES TO DEBT CALCULATION

- | | | |
|--|--|---|
| 1. Revenue Fund Expenditure and Debt Charges | 1983 = | Estimate of 1982 FIR position |
| | 1984-87 = | Estimates from 1983-86 Capital Budget Forecast |
| 2. Capitalization | 1983-87 = | 14% as per O.M.B. |
| 3. Leases | 1983-87 = | 1981 level + 6% compounded yearly. |
| 4. Unfunded: | 1983 = | Unfunded outstanding in 1981 less pending cancellations; less 1982 debenture issues, plus 1982 Capital Budget net debenture requirements. |
| | 1984 = | 1983 Capital Budget net debenture requirements plus \$3.7 million unfunded for landfill site. |
| | 1985-87 = | 1984-86 Capital Budget net debenture requirement. |
| 5. Quota | 1983-87 = | 1983-87 Capital Budget net debenture requirement. |
| 6. Debt Ratio: | Total Debt Charges as percentage of Revenue Fund Expenditures. | |

Appendix 4

Calculation of Share of Responsibility:

Net Developable Acreage

Calculation of Share of Responsibility - Net Developable Acreage

The Master Servicing and Financing Scheme, February 1981 Report by Currie, Coopers and Lybrand used estimates of housing units as a means to calculate each community's share of the total front-ending responsibility. A number of the development interests in commenting on the Scheme expressed concerns over the housing unit estimates and argued that some communities may carry a larger or smaller fair share of responsibility due to physical (land) limitations within communities which would reduce the actual number of units built.

Secondly, it was agreed that an acreage measurement for the calculation of share was less likely to change over time and therefore the developer would know his community's total responsibility earlier in the Scheme.

Therefore, for the calculation of the community share of common projects, a land measurement variable referred to as net developable acreage will be used. Net developable acreage will be calculated for each community utilizing the definition contained within Appendix 2 of the Draft Oakville Official Plan (attached). Where a plan of subdivision is not available, estimates will be made after consultation with Town staff. Estimates of net developable acreage for the purposes of calculation of community shares in no way commits the Town of Oakville or the Region to the development of these lands to this maximum potential.

The other component of front-ending responsibility, is community specific projects which have been triggered by the front-ending developers participating in the Scheme at a given point in time. (The method of combination of the two components and details on their calculation, is explained in the "Administrative Process" section of the report.)

Appendix 5

Minimum Participation Guidelines

Minimum Participation Guideline

The purpose of the Minimum Participation Guideline is to establish a level or amount of development (residential) having a significant impact on servicing needs and possessing adequate financial resources to participate in the Scheme. For the purposes of the Oakville Scheme, Currie Coopers and Lybrand proposed an arbitrary 100 unit guideline which required participation by the proponent if the proposed development contained 100 units or more.

With this guideline in place, it is relatively simple for a developer by reducing his density, number of lots, selling off a portion of his holdings or developing only part of his lands to avoid participation in the Scheme. While this does not reduce the amount of capital contributions (except for lots lost through down zoning) the developer would pay ultimately, this avoidance would reduce the number of potential front-enders increasing the burden significantly for those already committed to participating.

As a result of a great deal of review and consideration it was determined that to establish a new participation guideline would be equally arbitrary and would result in further confusion. Therefore, it is proposed that the 100 unit existing guideline converted to an acreage measurement as a means to prevent a developer from reducing a development proposal marginally below 100 units as a means to avoid the Scheme.

The new participation guideline is based on the densities proposed by Oakville Planning Staff (Table 1) which takes into account the 20 ppga density imposed by the Cabinet, by unit type. Our proposal converts the 100 unit guideline into a minimum site acreage required to develop one hundred units by unit type. Site acreage was chosen because it is at the subdivision stage that the Front-ending Scheme is operational, a stage at which this acreage measurement is available. A proper definition of site acreage is provided in Draft Official Plan for the Town of Oakville.

"Includes residential lots or blocks only, excluding any public lands".

The proposed formula will make avoidance of the Scheme far more difficult, yet it will improve the equitability of the participation guideline by taking into account the proposed housing mix. The formula is as follows:

$$M_1 + M_2 + M_3 + M_4 = X$$

$$\frac{M_1}{a} + \frac{M_2}{b} + \frac{M_3}{c} + \frac{M_4}{d}$$

where X = minimum participation site acreage

$M_1 - M_4$ = percent of units in development by type

a - d = maximum site density by type at 20 ppga

TABLE ONE

Town of Oakville Recommended Site Density and 20 PPGA

<u>Unit Type</u>	<u>Site Density</u>
Singles	7.6 - 8.0 units/acre
Semis	11.0 - 14.5 units/acre
Multiples	15.0 - 20.0 units/acre
Apartments	50.0 - 100.0 units/acre

Therefore, it is felt that this formula which is sensitive to density will be somewhat more equitable as minimum site acreage for participation could range from 2 to approximately 12 acres (site).

As pointed out earlier, the objective of this review was to tighten the participation guideline to prevent avoidance and to make it equitable. Elimination of avoidance is difficult unless we were to impose a participation geographical boundary in addition to the guideline. However, the new proposal does make avoidance through the reduction of units or density marginally below 100 difficult. However, avoidance by sale of part developer's total holdings is still possible. It will be necessary to ensure a detailed monitoring of all holdings as a means to observe the sudden break up of large land parcels into smaller holdings to avoid participation. Should this occur a more restrictive policy will be brought forward.

Also, contiguous holdings) ownership of several neighbouring parcels of land), may have an accumulative effect and qualify the owner(s) to participate in "Front-Ending".

Appendix 6

Definitions of Terms Used in the Implementation Report



DEFINITIONS

1. BOOSTER STATION

- A structure that boosts the water pressure in a designated area of the water distribution system.

2. CAPITAL CONTRIBUTION (LOT LEVY)

- Fees charged by municipalities to those persons proceeding with new development in that Municipality. The fee has two components (an area municipality portion and a Regional portion), and is intended to cover the capital cost of municipal services to the new ratepayers in the community.

3. CURRENT CONTRIBUTIONS TO CAPITAL

- Refers to the amount of funds transferred from the operating budget to be applied to capital expenditures that year. The level of this contribution is reviewed and approved by Council each year. The use of this type of funding of Capital projects reduces the amount of new debt required to be issued by the Region.

4. DEBT CAPACITY

- The measurement of the debt which the Region is allowed to have outstanding at a given point in time as set by the Ontario Municipal Board.

5. DEVELOPER RESPONSIBILITY

- In total, developers are responsible for financing the costs of the internal works for their subdivisions and the costs of the services required to connect the new development to the Regional infrastructure.

The specific financing responsibility for each developer will depend on whether he is deemed to be a "front-ender", and the status of the overall scheme when he decides to develop.

6. EXCESS CASH COMMITMENT

- Any monies paid by a "front-ending" developer in excess of his ultimate responsibility, is deemed to be an excess cash commitment within the scheme.

7. FINANCE CHARGES

- Any capital project expenditure made by the Region for which the ultimate source of funding has not been appropriated, represents a "loan" from the Region's working capital. As with any loan, an interest rate is associated, and is applied on the monthly net balance in the project account. These finance charges then, represent an increase to the final cost of the project of the project. The responsibility for these charges lies with the Region.

8. FINANCIAL INFORMATION RETURN (FIR)

- The FIR is a group of Schedules required by the Ministry of Municipal Affairs which all Municipalities must file annually. These schedules are more detailed than the traditional financial statements and show revenue by source, by fund and expenditures by object, by fund and in total.

9. FINANCIAL SURCHARGE

- One of Council's prerequisites of the Scheme, was that it should not cause a burden on existing ratepayers. To ensure that the scheme is self-sustaining, the total estimated cost and estimated revenue shall be reviewed annually. Any shortfall in the developer responsibility component shall be recouped via a surcharge on the lot levy.

10. FLOW BACK

- The excess cash commitment of a given developer shall be repaid via a flow back of funds as they become available within the scheme. These funds shall be obtained from lot levies from non-front-ending developers. Provincial subsidies, draw-downs of letters of credit of other developers, and lot levies from Urban Phase 2 developers.

11. FORECAST PERIOD

- Annually, the Region prepares a Capital Budget showing projects to be built in the current year, and a projection of the required projects in the next 4 years. The forecast period used in this study is that used in the 1983 Capital Budget; namely, the period 1983 to 1987.

12. FRONT-ENDING

- All developers with total developments in Oakville Urban Phase 1, which exceed the minimum participation guideline, will be required to help finance the scheme. The level of financing will be established at the time of the development agreement. Since this is in advance of the construction of Regional services, it is known as "front-end" financing. Such developers have been referred in the report as "front-enders".

13. INITIAL RESPONSIBILITY

- The initial developer in a community will be responsible for financing - (a) the community's portion of common projects, plus (b) any additional projects required to service that development. As more developers within the community participate, the responsibility will be shared among all developers.

14. INTERNAL SERVICES

- Distribution watermain and sanitary sewer systems within a plan of subdivision which generally benefits a particular subdivision.

15. LETTER OF CREDIT

- The front-end financing supplied by the developer will consist of cash (the sewer and water portion of lot levies) plus securities, to sum to the calculated initial responsibility. The preferred type of security is an irrevocable letter of credit, drawn on a Canadian chartered bank, in favour of the Region of Halton. This letter of credit shall be drawn down from time to time in order to pay project costs.

16. LOCAL TRUNK MAINS

- Watermains that are eligible for M.O.E. subsidies and that are located within a community that provides a supply of water from trunk mains to the small local distribution mains located in smaller areas and generally benefitting a number of subdivisions within a community.

Sanitary sewers that are eligible for M.O.E. subsidies and that are located within a community and acts as a collector sewer from a small local sewer and deposits the sewage into trunk mains and generally benefitting a number of subdivisions within a community.

17. LOT LEVY

- (See Capital Contributions)

18. OPTION A

- Refers to the alternative where residential developers would be responsible for providing financing for the following water and sewer projects (or portions):

1. Services internal to developer subdivisions; and
2. New residential growth-related projects.

20. PROJECT LIST

- Those projects, the costs of which will be covered (whole or in part) by the front-ending developers' posted securities.

21. PUMPING STATION

- A structure which pumps sanitary sewage into the sewage system.

22. RATE REVENUE REQUIRED

- Total revenues required to be generated by sewer and water rates, in order to meet the costs of Oakville development. The amount of rate revenue required varies under the four cases presented in the "Fiscal Impact Analysis" section.

23. REGIONAL RESPONSIBILITY

- The Region will be ultimately responsible for financing the components of projects which benefit: new commercial/industrial lands, existing commercial/industrial lands, existing residential lands, and applicable finance charges.

24. RESERVOIR

- A structure that provides for the storage of water.

25. SUBSIDY

- The Ministry of the Environment currently operates a program which subsidizes major sewer and water projects, to the extent of 15% of the costs. The Region will attempt to obtain the maximum possible subsidies for sewer and water projects.

26. TRUNK MAINS

- Large watermains that are eligible for M.O.E. subsidies and which distributes water from the purification plant to booster stations, reservoirs and local trunk mains and generally benefit a large area.

27. ULTIMATE RESPONSIBILITY

- The ultimate responsibility of the developer is the associated lot levies (and any applicable surcharge) for constructed units, plus any costs of projects internal to the developer's subdivision(s).

28. UNFUNDED DEBT

- Expenditures which have approval for financing via long-term liabilities but have yet to be deentured-financed.

Appendix 7

Comparative 1983 Water and Sewer Rates in Selected Municipalities

The following Table summarized average water and sewer charges in 1983 for various customers groups in various municipalities within the Province. These charges are compared to those currently experienced in Burlington and Oakville.

No allowance for the impact of a Master Servicing and Financing Scheme is reflected in the Halton rates.

This appendix also presents the information, in a graphic form, comparing the impact on each customer group in the various municipalities.



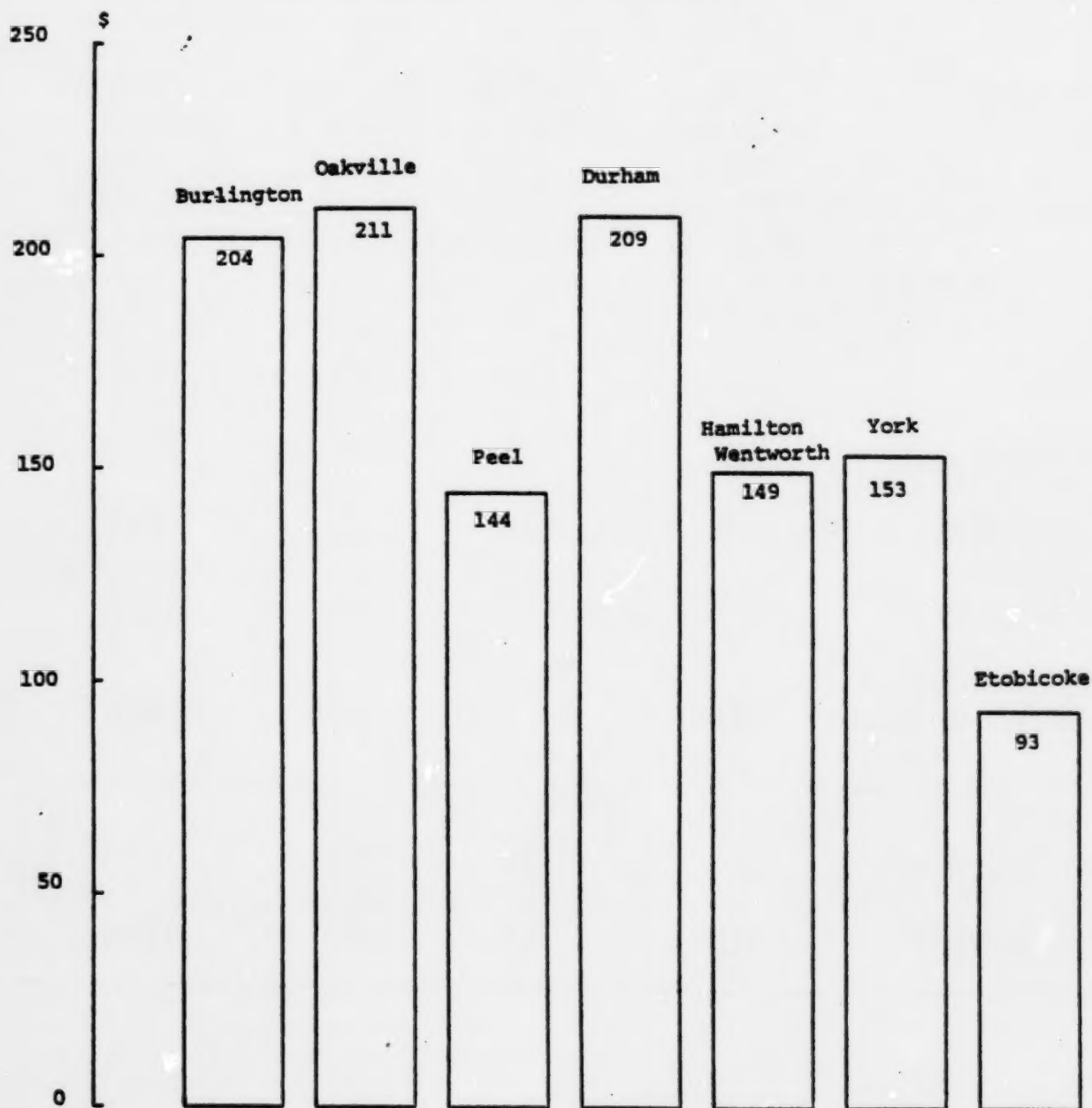
REGIONAL MUNICIPALITY OF HALTON

1983 COMPARISON OF ANNUAL WATER AND SEWER CHARGES

AREA	AVG. RESIDENTIAL CONSUMER 250 M ³ /YR (55,000 GAL)	LOW FLOW COMMERCIAL/ INDUSTRIAL 250 M ³ /YR (55,000 GAL)	MED. FLOW COMMERCIAL/ INDUSTRIAL 2272 M ³ /YR (500,000 GAL)	HIGH FLOW COMMERCIAL/ INDUSTRIAL 22772 M ³ /YR (5,000,000 GAL)
	\$	\$	\$	\$
PEEL	144	162	1425	14286
DURHAM(Oshawa)	209	209	1193	11078
HAMILTON-WENTWORTH	149	231	1090	8268
YORK (MARKHAM)	153	136	1238	12375
METROPOLITAN TORONTO (ETOBICOKE)	93	93	850	8500
HALTON				
I) BURLINGTON	204	275	1308	11773
II) OAKVILLE	211	279	1352	12198

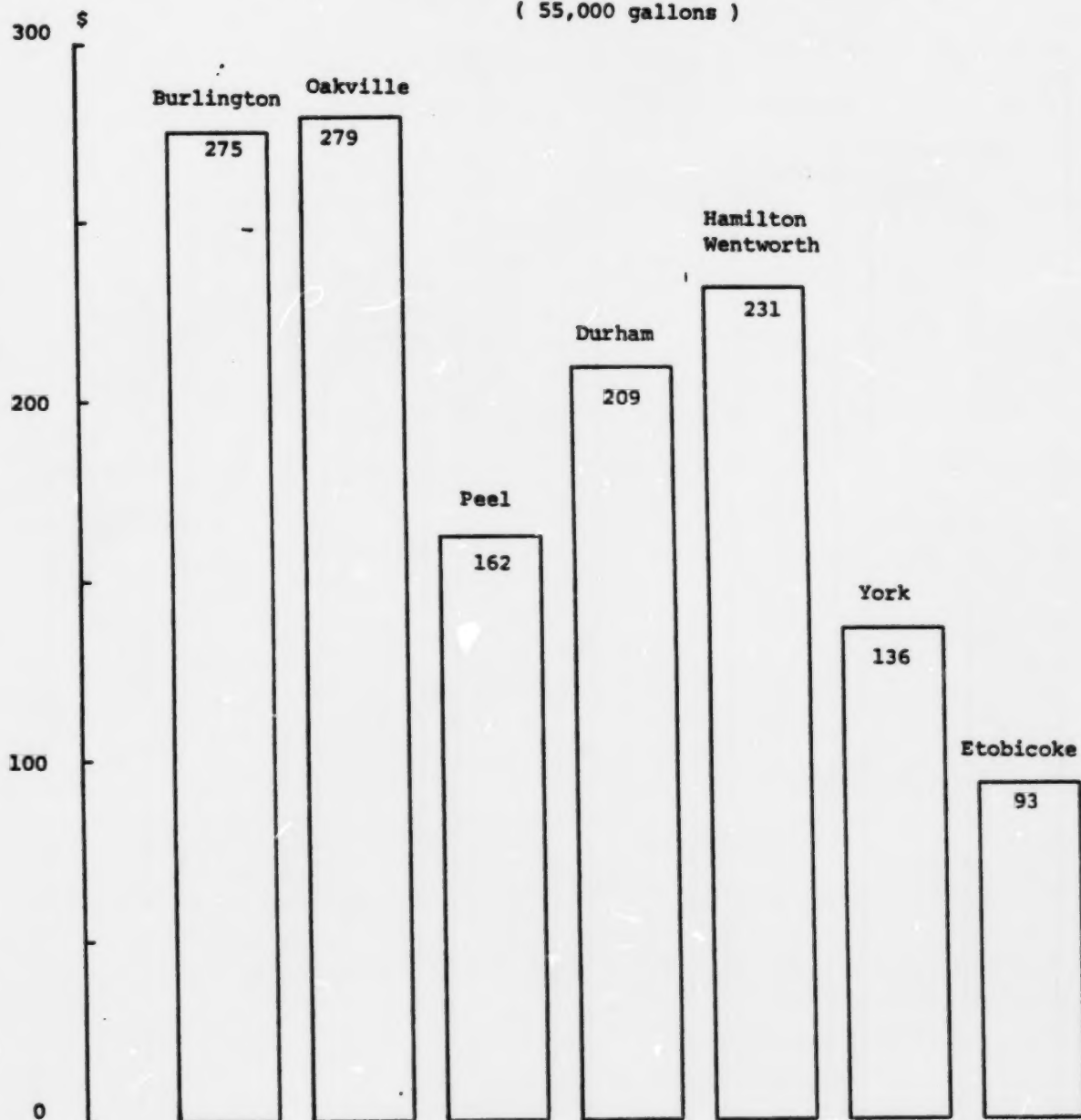
AVERAGE RESIDENTIAL CONSUMER

(55,000 gallons)



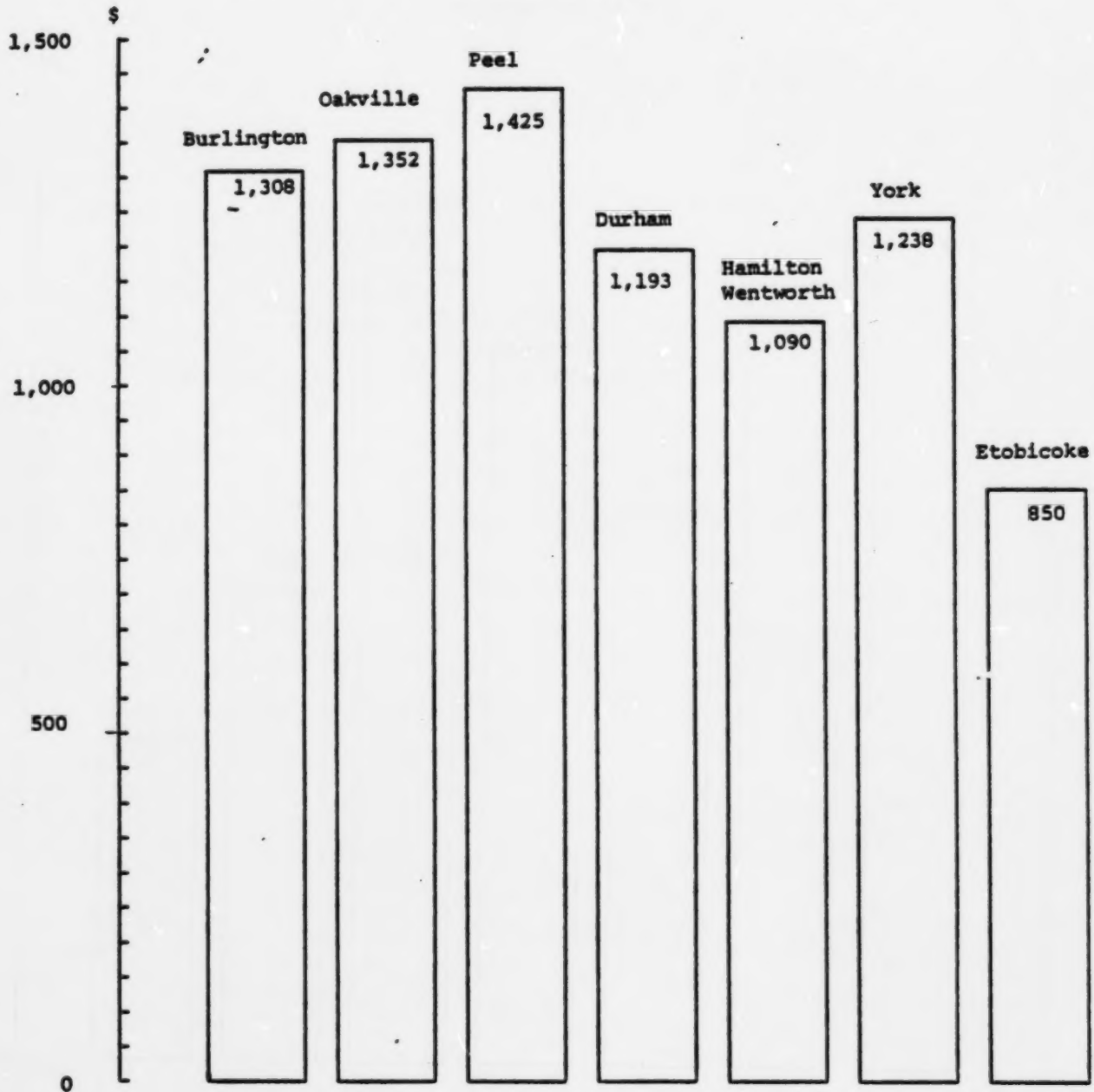
LOW FLOW COMMERCIAL/INDUSTRIAL CUSTOMER

(55,000 gallons)



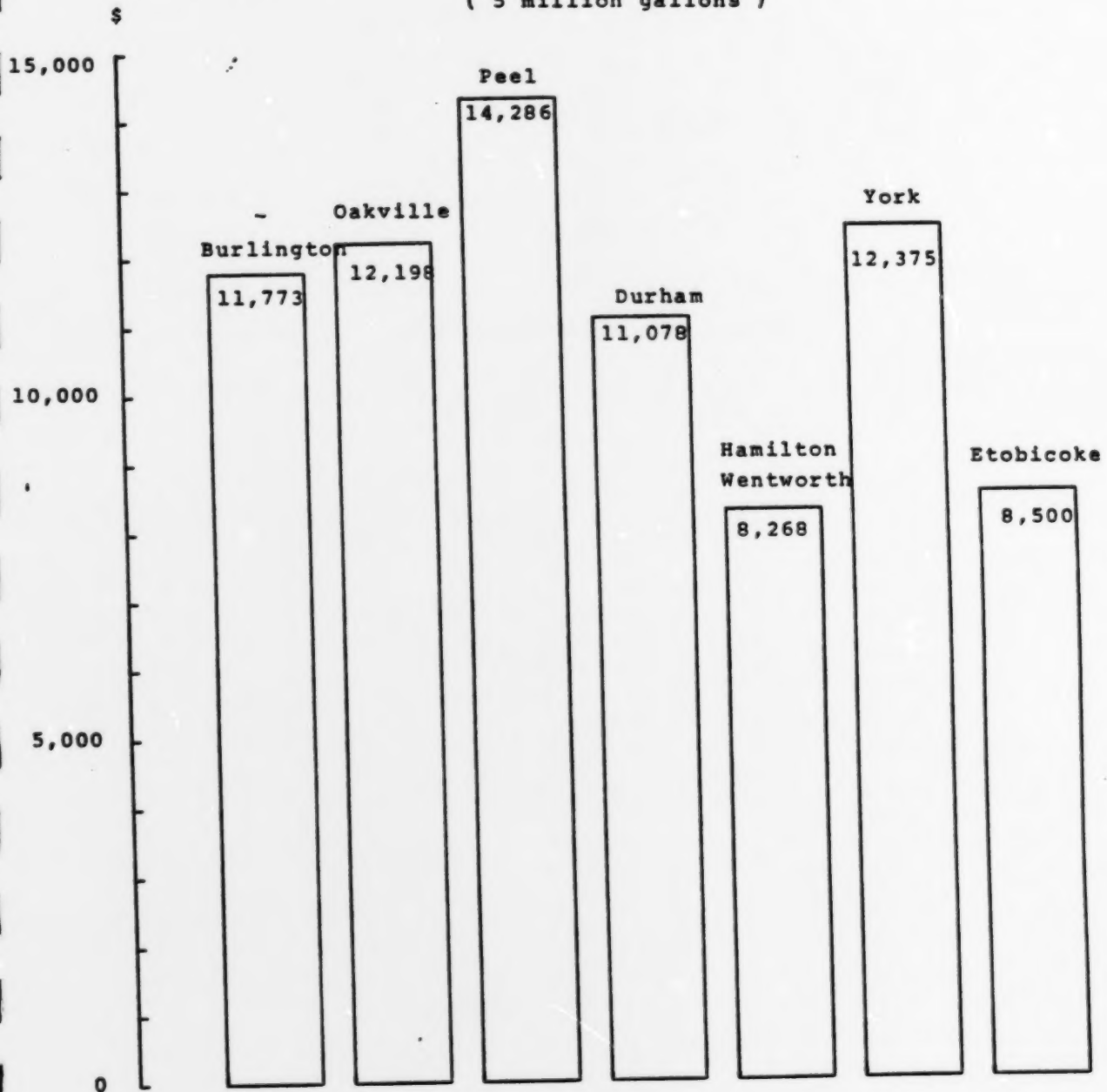
MEDIUM FLOW COMMERCIAL/INDUSTRIAL CUSTOMER

(500,000 gallons)



HIGH FLOW COMMERCIAL/INDUSTRIAL CUSTOMER

(5 million gallons)



Appendix 8

Correspondence from Province



THE REGIONAL MUNICIPALITY OF HALTON

1151 BRONTE ROAD
OAKVILLE, ONTARIO L6J 6E1
416/827-2151

Office of the Chairman
J. N. Raftis, P.Eng.

1982 03 05

The Honourable Claude Bennett
Minister of Municipal Affairs
and Housing
4th Floor, Hearst Block
Queen's Park
Toronto, Ontario M7A 2K5

Dear Mr. Minister

On behalf of Halton Regional Council, please accept our thanks for approval of our request for Provincial assistance in the implementation of the uniform sewer and water rate program in Halton, which you formally authorized the payment of \$2.1 million, January 18th, 1982.

There are still, however, four outstanding requests which were included in our Brief presented to you and your staff, December 21, 1981, and they are:

- (1) The payment to the Region of a Special Transitional Grant of \$403,000 representative of the extremely large "intra-municipal revenue shift" resulting from the introduction of the fairer utility approach of charging out sewer costs to commerce and industry in Halton by way of sewer surcharge rates as opposed to property tax. Numerous industries in Halton benefitted from this in Oakville, namely Ford, BP and Shell.
- (2) Change in the "Fixed" repayment schedule for the existing Halton growth-related OHAP loans to a "Flexible" repayment schedule, with the repayment schedule to be based on the actual growth achieved each year as opposed to the estimated expected growth when the OHAP loans were originally offered and negotiated.
- (3) A provision to the Region of Provincial "front-ending" for financing to cover the enormous capital infra-structure costs required in Oakville and to a lesser extent in Burlington for Provincially approved major development in the future. Initially, these requirements are approximately \$45,000,000 arising over the next ten to fifteen years to approximately \$150,000,000 for both Oakville

BURLINGTON
639-4540

HALTON HILLS
853-0501

MILTON
878-8113

OAKVILLE
827-2151

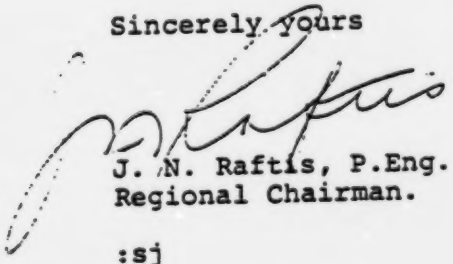
and Burlington.

- (4) A change in the Regional Act to ensure any "growth-related capital costs of water and sewer works" before being placed on the Regional water rates and/or sewer surcharge rates, must have the consent of all area municipalities in Halton to avoid uncontrollable impact on one area municipality by the growth objectives or requirements of another.

The foregoing are indicated as (b) (c) (d) and (e) in our Brief.

Your consideration and assistance in resolving our outstanding requests would be very much appreciated.

Sincerely yours



J. N. Raftis, P.Eng.
Regional Chairman.

:sj

N.B. TO MEMBERS OF COUNCIL

Similar letter sent to the Honourable James Snow, M.P.P.
and Mr. G.A. Kerr, Q.C., M.P.P.



G. Lawson

Office of the
Minister

Ministry of
Municipal Affairs
and Housing

Hearst Block
Queen's Park
Toronto, Ontario
M7A 2K5
416/965-6456

March 31, 1982

Mr. J. Raftis
Chairman
Regional Municipality of Halton
Box 7000
1151 Bronte Road
Oakville, Ontario
L6J 6E1

REGIONAL MUNICIPALITY OF HALTON
OFFICE OF THE CHAIRMAN
RECEIVED

APR 1 1982

AM 7:18 PM 12:12:34:5:6

Dear Mr. Raftis:

Thank you for your letter, dated March 5, 1982, noting four outstanding items respecting development and the introduction of uniform sewer and water rates in the Region of Halton.

Two of the requests put forward by the Region are pending:

- (1) Change in the "fixed" repayment schedule for O.H.A.P. loans

At this point in time, this request is under review by the Community Planning Wing of this Ministry. The review should be completed in the near future.

- (2) A provision to the Region of Provincial "front-ending"

Your previous correspondence indicates this issue has two parts. First, you seem to be asking for another O.H.A.P loan program to cover infrastructure costs. Budget constraints prevent the Province from renewing such a program now or in the near future.

.....2

Mr. J.N. Raftis

Also, you raised the "front-ending" issue in terms of providing legal authority for the Region to receive money from a developer and repay this loan through lot levies.

There is considerable uncertainty surrounding the legality of imposing lot levies, including "front-ending". For instance, in a case where a developer makes an agreement with the Region to front-end, contingent upon the following developers being levied upon for part of the costs involved, there is the possibility that, given the current state of the legislation, the Region may fail in collecting the required revenue from those developers who eventually come on stream. Therefore, it is not so much a matter of authority from the Province to permit front-ending, but the necessity for fair and firm rules respecting the imposition of levies.

In short, there is no question that municipalities can borrow, and "front-ending" is borrowing. The issue is whether the revenue source sought for repayment is clear, and that is being examined now.

The Association of Municipalities of Ontario (A.M.O.), the Urban Development Institute (U.D.I.), and the Housing and Urban Development Association of Canada (H.U.D.A.C.), are currently involved in a series of discussions in an attempt to reach agreement on a mutually acceptable approach to levying developer charges. The outcome of these discussions will form the basis for general legislation, at which point "front-ending" powers can be considered.

I expect to receive results from the interested parties on their progress sometime in early April.

Regarding the other two outstanding requests:

(3) Special Transitional Grants of \$403,000

In my letter to you on January 18, 1982, I outlined that the special assistance to be provided was to aid in the implementation of the uniform sewer and water rates which included financial assistance to phase in cost-shifts among municipalities. It is my

.../3

Mr. J.N. Raftis

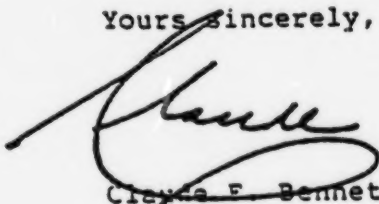
understanding that there are alternative methods by which the Region may compensate for intra-municipal shifts, the most effective being a revision in the rate schedule to change the differential between commercial/industrial rates and residential rates. It is also my understanding that the Region is now in the process of implementing such a policy. Regretfully, a more positive response to this request cannot be made. Some means other than additional Provincial funding should be considered. Regardless, it should be made clear that I do not intend to authorize any additional financial assistance to the Region of Halton, beyond the amount mentioned in my January 18th letter, for the implementation of uniform sewer and water rates.

(4) Changes to the Regional Act

Regional Council is comprised in such a way as to reflect the interest of each area municipality. There is no danger of a municipality incurring costs which would, in effect, force other municipalities to subsidize them, as Regional Council can solve this problem by the majority ruling against the one incurring the cost. I do not, therefore, feel that different procedures should be used specifically for sewer and water cost considerations to make Regional decisions.

I appreciate your bringing the Region's concerns to my attention, and I will notify you of all developments that occur on the two remaining requests.

Yours sincerely,



Claude F. Bennett
Minister,
M.P.P. Ottawa South

cc. Hon. James W. Snow

George A Kerr
M.P.P. Burlington South

Appendix 9

Legal Considerations of the Scheme

REGIONAL MUNICIPALITY OF HALTON

INTER OFFICE MEMORANDUM

TO: J. Rinaldo, Regional Treasurer

FROM: K.S. Anderson, Regional Solicitor

DATE: 1983 04 26

RE: MASTER SERVICING AND FINANCING SCHEME - LEGAL IMPLICATIONS -
LAW FILE: 1983 - 218

In reviewing the various proposals for a Master Servicing and Financing Scheme to be undertaken by the Region within the Town of Oakville you have asked for consideration of the legal aspects. In formulating an opinion I have considered the following:

1. MANDATE - The Regional Municipality of Halton Act gives the Region a mandate with respect to the supply and distribution of water in the Regional area and the collection and disposal of sewage within the Regional Area. Additionally there is direction to adopt a plan of road construction and maintenance, and to provide facilities for the purpose of receiving, dumping and disposing of waste.
2. RESPONSIBILITIES - Pursuant to the Environmental Protection Act the Region is included as a person which shall not cause or permit certain contamination within the natural environment. Similarly, pursuant to the Ontario Water Resources Act, the Region is prohibited from the discharge of polluting materials. Finally, both the Regional Municipality of Halton Act and the Planning Act require that the Regional Council carry out the necessary investigations and surveys leading to an Official Plan for the Regional Area. The scope of the study, explanation and solution of problems or matters affecting the development of the Halton Planning Area is quite wide. Additionally the Regional Municipality becomes an approving agency for the purpose of subdivisions and condominiums pursuant to the Planning Act.
3. AUTHORITY - In order to effect the mandate and responsibility assigned to the Regional Municipality, there are the relevant provisions in the Planning Act which allow for a variety of policies and solutions to be identified in the Official Plan. Presumably this includes strategies for phasing and servicing such as are set out within the Region's plan. The proposed Master Servicing and Financing Scheme is a less formal subset of this same strategy for the orderly development within the Halton Region.

The Planning Act also allows the Regional Municipality to request conditions and enter into Agreements with respect to the various stages of developments such as severances, subdivisions, condominiums, re-zonings etc. The Regional Municipality of Halton Act allows for, among other things, the establishment and financing of the Water Works System and Sewage Works and further indicates that all provisions of any general act or special act relating to such requirement apply to the Regional Municipality. A wide range of financing methods are envisioned thereafter including debt charges, the establishment of Urban Service Area, the raising of money required by imposing of rates within such urban areas, or the raising of moneys required by any other method or methods authorized by law or by any combination thereof.

4. LEGISLATION - While there is no specific legislation relating to the collection of surcharges which would be distributed from "front-ending developers" to later developers, the language related to financial arrangements is broad.

In order to clarify the specific authority of the Region with respect to "front-ending" monies, the Regional Solicitor and C.A.O., at the request of Regional Council, have drafted a proposed legislation and forwarded the same to the Province. This legislation has been discussed with Provincial Officials at various times, however it does not currently appear that the legislation will be promoted immediately. A copy of this proposed legislation is attached to this memo.

5. OPINION - After reviewing the mandate and responsibilities of the Region together with the types of authorities for agreements and financing of the responsibilities, I perceive that the necessary implied legal authority to research and redress the problems of supply of servicing to expanding development, and the financing thereof. In the absence of such scheme the Region could be forced to wait until a further debt can be undertaken (which does not appear to be coincidental with the proposed timing of development), and to possibly object to various proposed plans of subdivision and condominiums, re-zonings, and Official Plan changes until such time as suitable arrangements are in place for servicing.

Given the mandate and the responsibility of the Region, and the wide language of the authority relating to the responsibilities, it is inconsistent to conceive of a legal interpretation which removes such necessary authority.

6. SUMMARY - For all of the above reasons I have concluded that there is no legal impediment to the development and implementation of a Master Servicing and Financing Scheme to be used by the Regional Municipality of Halton within the Town of Oakville.

KSA/ls

cc: D.Y. Perlin, C.A.O.

R. Mohammed, Director of Planning & Development

R. Moore, Director of Public Works

- (1) The Regional Corporation may adopt a master scheme or schemes for the provision of Regional services and the financing of such services for the Regional Area or any part thereof for the purpose of facilitating development within the Regional Area and ensuring the financing and orderly phasing of capital expenditures relating to services for which the Regional Corporation is responsible.
- (2) For the purposes of subsection 1 the Regional Corporation may, among other things,
 - (a) Enter into agreements with Her Majesty the Queen in right of Canada, Her Majesty the Queen in right of Ontario, any person, corporation, authority or Area Municipality or board or agency thereof upon such terms, conditions and financial schemes as the Regional Corporation deems advisable;
 - (b) Provide for the receipt, retention and redistribution of monies associated with the various schemes for servicing and financing thereof;
 - (c) Provide for the use of letters of credit, bonds, debenturing, cash or other financial instrument, the use of substitute letters of credit, repayment schemes, indexing of proposed financial contributions and repayments, the application of subsidies and recoveries, and reimbursement of costs;
 - (d) Require the participation of any or all owners, developers, or persons affected by such Master Schemes or Schemes and require persons receiving benefit directly or indirectly from the implementation of the scheme to participate.
- (3) For the purposes of Section 2b, where the Region receives monies from any person receiving benefit and participating in a Master Scheme or Schemes, such monies shall be held in a separate account by the Region and shall be paid out, used to reduce letters of credit, given or credited to the benefit of participants in such Master Scheme or Schemes and for no other purposes.

KSA/lis

Appendix 10

Summary of Findings and Recommendations
as Presented by
Currie, Coopers & Lybrand Ltd.

SUMMARY OF FINDINGS AND RECOMMENDATIONS

This summary sets out our findings and recommendations in respect of a Master Servicing and Financing Scheme for regional sewer and water facilities required to support the substantial development anticipated in the Town of Oakville. This scheme provides a framework wherein each developer will provide "front-end" financing where required to ensure that an undue burden arising from new growth is not placed on existing ratepayers. It is based on a comprehensive study which is documented in the detailed report and appendices which follow.

STUDY SCOPE

- Sewer and water facility requirements have been examined in detail since these are the only regional services where substantial projects must be constructed well in advance of the developments which will eventually use them. Other regional capital projects required to serve new growth are expected to be financed from their portions of normal capital contributions as they are collected in addition to new debt which can be supported as development occurs.
- The adequacy of the present capital contribution policy and debt guidelines in the Region has been examined for sewer and water projects. Adjustments are recommended to compensate for the recent elimination of federal subsidies and changes which have been made in the Region's debt policies since 1979, as well as providing for commercial/industrial servicing requirements.
- An in-depth analysis of anticipated development by land use category has been carried out. Our projections of sewage flows and water demands are sensitive, therefore, to variations in land use expected by plant service area and water pressure zone. Specific capacity needs within each area have been forecast on a year-by-year basis.

- All of the above has permitted a detailed forecast to be made of funding needs, ultimate revenue sources and "front-ending" security arrangements required from each development area.

We set out our major findings and recommendations based on this analysis below.

FINDINGS AND RECOMMENDATIONS

- New residential development anticipated to occur within the Region's designated "urban envelope" in Oakville would nearly triple the present population of the Town. In addition, nearly 2,200 acres of new commercial/industrial development is expected. The recommended master servicing scheme and its funding examples are based on completion of Urban Phase I, with a population of about 40,000, by 1993, and commencement of Urban Phase II in 1989, with an ultimate population of 200,000 persons reached by 2012.
- This medium rate of growth scenario has been selected to reflect a development level which could occur if there is no staging or sequencing of growth by community in Urban Phase II. Changes could occur due to normal market conditions, by the introduction of phasing in Urban Phase II, by changes in the desired density of development, or other factors. However, from a Regional servicing perspective, at this point in time, and remaining consistent with the OMB decision, these conditions cannot be assumed. In addition, the servicing and financing scheme set out is adaptable to changing conditions. The principles established can be used to guide the Region's response to any such changes as they occur.

- Regional sewer and water projects required, wholly or partially, to accommodate anticipated growth in Oakville are estimated to cost approximately \$100 million in 1980 dollars. Of this, \$86 million is required to serve Urban Phases I and II, \$10 million is required for infill development and \$4 million will provide for service upgrading in the existing Town.
- Sewer and water portions of the Region's present residential capital contribution have been examined, and an increase of 6-7%, or about \$120 per low density urban dwelling unit, is recommended to compensate for the loss of federal subsidies and changes in the Region's debt guidelines which have occurred since the original policy was adopted in 1979.
- In addition, the regional debt policy for "self-liquidating" functions in respect of new development should be inflation-adjusted annually to avoid a substantial diminution of this important revenue source in later years.
- Even with these changes, a \$4.5 million shortfall in revenues available for sewer and water purposes is evident. We recommend that a regional capital contribution of \$2,040 per acre be required from new commercial/industrial development to offset this shortfall. Without such a policy, the only reasonable alternative is for the Region to absorb some of the costs for servicing these lands.
- A capital contribution surcharge is not recommended at this time for Oakville residential development. However, if the Region-wide residential capital contributions are reduced through time to compensate for declines which are expected in unit yield factors, a compensating surcharge will be required to cover sewer and water costs in Oakville.

- Because sewer and water projects are required in advance of the total development which will eventually use them, and from which capital contributions and debt capacity are derived, a cash shortfall exists when the projects are required. We recommend, therefore, that financial security for sewer and water projects be provided by the development which creates the initial need for them, even though other developments may eventually use them and contribute toward them. This constitutes "front-end" financing by developers.
- Full financial security, in the form of unconditional, irrevocable, draw down letters of credit, must be provided by developers for projects required to initiate and fully develop their lands.
- Security letters of credit must provide for the total estimated gross cost of all projects defined by the Region as being required for a specific development or group of developments, less any costs agreed to by the Region as being its responsibility.
- All letters of credit, or portions thereof, remaining at the end of each fiscal year should be adjusted to account for annual inflation.
- All letters of credit must be made available at the time of execution of subdivision agreements.
- All Urban Phase I and II and large infill developments such as Wimpey, Elgar-Pinetree, Sextet-Cheeseworth, 7th Line Valtyna and others, will be responsible for providing front-end financial commitments through security letters of credit as set out above, or alternatively, for sharing in the front-ending responsibility of others through the provision of substitute security letters of credit in the same form and meeting the same conditions as the initial letters of credit.

- Sharing of front-ending burdens through the provision of substitute security letters of credit, and by substitute financing agreed to by the Region and through the flow-through of Regional revenues such as sewer and water capital contributions received from non-front-ending developments should be pro-rated according to the relationship between the excess front-ending commitment carried by, and the ultimate financial responsibility of, all developers included in the scheme at any given point in time. Ultimate financial responsibility is measured by sewer and water capital contributions normally due from each development.
- In this way, front-ending burdens will be equitably shared through time, and, over the long term, each development will have contributed an amount equivalent to its normal sewer and water capital contributions.
- Separate front-ending, sharing and flow-through calculations are required for each of the Mid-Halton Sewage Treatment Plant, the Southeast Sewage Treatment Plant and all other sewer and water projects taken as a group.
- Capital contributions for sewer and water purposes should be collected from non-front-ending developers at the time of execution of subdivision agreements. Front-enders should continue to pay when building permits are taken out.

- Credits against sewer and water portions of capital contributions should be given to front-ending developers to the extent of cash outlays already incurred by them for projects in the Master Schema. The balance of contributions owing should be paid to the Region.
- The Region should use its "best efforts" to obtain sewer and water capital contributions from all developments and to obtain senior government grants and subsidies for projects included in the Master Schema.

These elements will help to ensure that existing ratepayers are not burdened by the capital cost of providing growth-related services, that financial security is available to the Region for sewer and water projects required by new development and that fair treatment is given to all development interests.

Appendix 11

Comments on

Currie, Coopers & Lybrand Ltd.

Master Servicing and Financing Scheme

Report (Feb. 1981)



ISSUE OF CONCERN

1. Front-ending places an excessive burden on the ability of developers to proceed.

SUMMARY OF COMMENTS RECEIVED

1. There was a wide-spread concern over the amount of financial burden which would be expected from a developer before he would be allowed to proceed. Specifically, on the concept of asking the initial developer within a community to front-end the gross cost of all projects required for the development of the entire community was felt to impose such a risk upon the initial developer as to make proceeding with his development difficult if not impossible.

STAFF ANALYSIS

1. Staff appreciates the significant difficulties faced by a developer who is being asked to front-end finance costs associated with the development of his community. However, it must be realized that any softening of this position increases the potential liability which must be borne by the Region. The implementation report has attempted to seek a middle ground on this issue whereby some of the front-ending responsibilities are reduced. The Region will also be at risk (until all communities have entered the scheme) for a portion of the common facilities.

RECOMMENDATION

1. a) That on the basis for front-ending by a community (and therefore initially by the first developer to proceed in that community) be established as the pro-rata share of total front-ending required to service Urban Phase I (net of amounts assumed by the Region). This pro-rata share will be determined on a net developable acreage basis.
- b) The Region will assume the responsibility for front-end financing costs related to projects deemed to benefit the existing community (both residential and commercial-industrial). The Region will also undertake either to front-end costs of projects benefitting new commercial/industrial users, or to earmark funds from the water and sewer operating budgets to flow back, on a regular pre-determined basis, to developers who have front-ended the cost of such projects on the Region's behalf.

ISSUE OF CONCERN

2. The imposition of a commercial/industrial lot levy.

SUMMARY OF COMMENTS RECEIVED

2. The consensus among submissions received from developers stressed the unfair and retrogressive impact of imposing a commercial/-industrial lot levy. It was felt that the Region should forego this source of funding in order to encourage commercial/-industrial development which ultimately pays more than its proportionate share of costs through tax levies and user rates. The submission by the Town of Oakville, however, supported the concept of imposing a commercial/-industrial levy.

STAFF ANALYSIS

2. The question of whether a capital contribution should be collected from new commercial/industrial lands is presently being studied by a special committee made up of staff, Councillors, and members of the development industry. While the analysis undertaken in the report assumes no commercial/industrial lot levy, it should be pointed out that the cost of servicing the commercial/industrial land within the scheme is estimated at approximately \$7,000 per acre. These costs will have to be borne by the general water and sewer rates which as demonstrated in the appendix are already excessive in comparison to other municipalities. Staff's position is that a source of financing from the new industrial/commercial sector is absolutely essential in order to ensure the successful implementation of the Master Servicing and Financing Scheme for Oakville and eventually the other Area Municipalities.

RECOMMENDATION

2. a) No recommendation is made regarding the appropriateness of a commercial/industrial lot levy. This issue is being studied by a separate body.
- b) (i) Should a commercial/-industrial levy be imposed and the Region has assumed the responsibility for financing new commercial/-industrial projects in Oakville, any such levies collected in Oakville would be eligible for use by the Region to apply against such project costs.
- (ii) Should a commercial/industrial levy be imposed and developers have undertaken to front-end the cost of new commercial/-industrial projects in Oakville, such levies collected in Oakville would be distributed to such front-enders based on their pro-rata share of outstanding liabilities related to these projects.

ISSUE OF CONCERN

3. The requirement of posting irrevocable letters of credit in advance of the construction of required projects.

SUMMARY OF COMMENTS RECEIVED

3. Concern was expressed by certain developers about the expense of providing substantial letters of credit to cover the cost of projects well in advance of the date when the project would be required.

STAFF ANALYSIS

3. It must be appreciated that a major concern in implementing the Master Servicing Scheme is to minimize, to the greatest extent possible, the risk to the Region in having to provide front-end financing for projects which are clearly the responsibility of the developers to front-end. The only major control that the Region has over the development process is in granting subdivision approval. Once this approval is granted, it would be extremely difficult for the Region to force a delinquent developer to post additional securities. For this reason, it is recommended that full posting of letters of credit at the time of signing of the subdivision agreement be maintained as a Major Servicing policy.

RECOMMENDATION

3. a) It is recommended that posting of full securities be required upon the signing of the subdivision agreement.

ISSUE OF CONCERN

4. Need for special front-ending legislation.

SUMMARY OF COMMENTS RECEIVED

4. Concerns were expressed from several parties about the legality of the entire front-ending concept. Specifically, there is a major risk that future developers could renege on commitments after initial front-ending developers had proceeded, or that future front-enders could challenge the legality of the scheme at the Ontario Municipal Board or in the Courts.

STAFF ANALYSIS

4. Staff is aware of the potential risks unless special legislation is enacted with regard to Master Servicing. Therefore, it is recommended that the Province be approached in this regard. However, it should be noted that previous attempts to secure this legislation have not been successful.

RECOMMENDATION

4. It is recommended that future steps be taken to secure special legislation regarding front-end financing in the Region.

<u>ISSUE OF CONCERN</u>	<u>SUMMARY OF COMMENTS RECEIVED</u>	<u>STAFF ANALYSIS</u>	<u>RECOMMENDATION</u>
5. Indexing of excess cash commitment.	5. Several respondents suggested the need to have all excess front-ending (the balance of cash paid out after credit is made for levies payable) indexed. It was also suggested that internal costs for works borne by front-end developers which will eventually serve other developments should be shared by all. The Town of Oakville also pointed out this inequity.	5. Staff is in full agreement with the need to index excess front-ending. Since levies payable are being indexed and since these indexed levies are the ultimate source of funds to be flowed back to a front-ending developer, it is fair and equitable that the full proceeds of such funding be available for their intended purpose.	5. It is recommended that all excess cash commitments of front-ending developers be adjusted in accordance with the index being used to adjust capital contribution rates, as established by Council.

ISSUE OF CONCERN

6. Inequity of developers in Urban Phase 1 financing projects of benefit to developers in Urban Phase 2.

SUMMARY OF COMMENTS RECEIVED

6. Several comments were received regarding the fact that in providing necessary facilities to accommodate the needs to develop Urban Phase 1, oversizing of plant components and trunk mains, would be required. This would effectively mean that Urban Phase 1 front-ending developers would be providing the financing of projects benefitting development beyond Urban Phase 1.

STAFF ANALYSIS

6. To the greatest extent possible, the siting and timing of projects required to allow new development to proceed, has been restricted to ensure that no projects are built prior to their need, and that projects are oversized only when there is no feasible alternative. In spite of all efforts, it is impossible to eliminate the reality that a certain portion of Urban Phase 1 financing will benefit Urban Phase 2. However, it must be remembered that the ultimate commitment of each developer is based upon the lot levies he would pay and any excess payment made by way of front-ending will eventually flow back at an indexed rate. Therefore, the benefits derived by Urban Phase 2 developers from oversizing done in Phase 1, will be balanced by the system of flow back when Urban Phase 2 developers join the scheme.

RECOMMENDATION

6. It is recommended that, whenever possible, projects be built and financed in Urban Phase 1 be of benefit only to Urban Phase 1 population. Further, when the population of Urban Phase 1 is sufficient to allow Urban Phase 2 to proceed (i.e. 75% of UPI), that the Master Servicing Scheme be reassessed to ensure that the front-ending requirements of Urban Phase 2 developers include provisions for the flow back of funds to compensate Urban Phase 1 developers who have financed projects of benefit to Urban Phase 2 developers.

<u>ISSUE OF CONCERN</u>	<u>SUMMARY OF COMMENTS RECEIVED</u>	<u>STAFF ANALYSIS</u>	<u>RECOMMENDATION</u>
7. Master Servicing Scheme not applied consistently across the Region.	7. Comments were received expressing concern that developers in Oakville are being asked to front-end capital costs while this is not required of developers in the other three area municipalities.	7. It is the intention of staff to undertake an investigation of the need for Master Servicing in Burlington, Halton Hills and Milton. However, because of the immediate development pressures in Oakville, the implementation of the scheme in this municipality is perceived as a first priority. Council will recall that a financing scheme was instituted in Burlington for the new Water Purification Plant.	7. It is recommended that staff undertake studies to assess the need for implementing Master Servicing Schemes in Burlington, Halton Hills and Milton.

ISSUE OF CONCERN

8. The intent of Region Government is to finance large capital projects.

SUMMARY OF COMMENTS RECEIVED

8. Certain respondents felt that the original purpose of consolidating small municipalities into a Regional Government structure was, among other things, to allow for financing of large capital projects. As a result, it was felt that front-ending should not be the responsibility of developers, but should be shouldered by the Region.

STAFF ANALYSIS

8. Although the intent of Regional Government is to facilitate the financing of large capital projects, the reality of the situation in Halton precludes the Region from assuming the full burden of front-end financing of new water and sewer projects. This assertion is documented in the Implementation Report both on a rate impact and debt capacity impact basis.

RECOMMENDATION

8. It is recommended that the concept of front-ending by developers be reaffirmed in light of the fact that full front-end financing of growth related water and sewer projects by the Region is not feasible.

ISSUE OF CONCERN	SUMMARY OF COMMENTS RECEIVED	STAFF ANALYSIS	RECOMMENDATION
9. Best effort clause not a satisfactory guarantee on reimbursement from development.	9. A number of developers were very concerned that future Councils will not earmark the capital contributions for repayment to front-enders.	9. While it is true that the existing Council cannot commit future Councils, the Region is seeking legislative authority for the scheme. In the meantime this Council should be prepared to establish a policy of earmarking future capital contributions collected from Oakville for the prepayment of front-ending and urge that a similar commitment must be adopted by future Councils.	9. That the water and sewer portions of the capital contributions collected from non-front-enders be set aside into a Reserve fund and be used for the repayment of the excess cash commitment provided by front-end developers.

ISSUE OF CONCERN

10. Timing and oversizing of construction facilities.

SUMMARY OF COMMENTS RECEIVED

10. Concern was expressed that the Region may accelerate oversize facilities simply because it is not accumulating the greater share of risk.

STAFF ANALYSIS

10. Since the Region will be at risk until all communities enter the Scheme and has also assumed a share of the responsibility relating to existing development and new industrial/commercial, great care will be exercised in order to ensure that facilities are built according to need. Projects whenever possible are delayed and the ultimate timing and capacity is evaluated just before the project is physically required. Recognition has to be given to the down-zoning which has taken place.

RECOMMENDATION

10. The Region will ensure that the size and capacity of all facilities built for this Scheme will be re-evaluated and determined on the basis of need at the time that the project is undertaken.

ISSUE OF CONCERN

11. Method for calculating front-end responsibility.

SUMMARY OF COMMENTS RECEIVED

11. The initial recommendation was to calculate front-end responsibility assigned to developers on the basis of projected units generated by all his land holdings. Down-zoning has created inequalities with this method of allocation. This was clearly demonstrated in the Glen Abbey Community where the initial estimated number of units was approximately 11,000. It is now projected that the units ultimately generated in the community to be close to 9,000. It has been suggested that a formula on the basis of net developable acreage will be more equitable.

STAFF ANALYSIS

11. It is agreed that net developable acreage should be used for assigning front-end responsibility for the common projects to all communities. However, the apportionment of responsibility within each community should be assigned on the basis of total units generated by each developer within each community. This approach would recognize that all communities have approximately the same balance of units while at the same time recognize that within each community benefits from services is more equitable on the basis of units which can be generated by each developer. It should be pointed out that until such time as a developer enters the Scheme from each community, the Region will be at risk for the proportion of the common facilities apportioned to the communities which have not entered the Scheme.

RECOMMENDATION

11. The the cost of common projects assigned to more than one community be pro-rated on the basis of net developable acreage.
- That the cost of common projects (including triggered projects) within each community be pro-rated on the basis of the ultimate estimated units generated by each developer in that community.

ISSUE OF CONCERN

12. Participation by infill development and the establishment of a minimum of 100 units for the assignment of front-end responsibility.

SUMMARY OF COMMENTS RECEIVED

12. Generally most developers agreed that infill development should participate in the front-ending. However, the Town of Oakville were concerned that the selection of 100 units for the assignment of front-end responsibility is somewhat arbitrary and where services are immediately available to infill subdivisions they should be allowed to proceed without a front-ending requirement.

STAFF ANALYSIS

12. Infill development will create the need for the South-east Sewage Treatment Plant. If development was allowed to proceed as long as services are immediately available, the burden for providing additional facilities will fall on the developer who ultimately triggers the Plant. Since the initial infill developers are not being asked to front-end their community share of common services, they are in fact being treated differently than front-enders in Urban Phase I. It is proposed that the existing participation guideline of 100 units be converted to a minimum acreage site required to develop 100 units by unit type as defined in the Draft Official Plan for the Town of Oakville. Since this formula is sensitive to density, it is felt to be more equitable.

RECOMMENDATION

12. That the minimum guideline for participation in the front-ending scheme be changed from the 100 unit guideline to a minimum site acreage required to develop one hundred units as defined in the Draft Official Plan for the Town of Oakville.

